

INDEPENDENT AUDITORS' REPORT

The Honorable Members of the Common Council
City of Winchester, Virginia

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Winchester, Virginia (the "City"), as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *Specifications for Audits of Counties, Cities, and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof, and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 21, 2005, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and Schedule of Funding Progress for Defined Benefit Pension Plan on pages 3 through 11 and 48, respectively, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the City's.

The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Didarick & Knapp, P.C.

September 21, 2005



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**City of Winchester, Virginia
Managements Discussion and Analysis
Fiscal Year ended June 30, 2005**



This section of the City of Winchester's (the City's) annual financial report presents an overall review of the City's financial activities for the fiscal year ended June 30, 2005. Please review all documentation in conjunction with the City's financial statements and the transmittal letter for an overall picture of the City's financial performance as a whole.

Financial Highlights

- The assets of the City of Winchester, on a government-wide basis excluding component units, exceeded its liabilities at the close of fiscal year 2005 by \$48.5 million (net assets).
- The City's total net assets decreased approximately \$6.1 million over the course of this year's operations. Net assets of governmental activities decreased \$11.1 million while net assets of business-type activities increased \$5.0 million. The decrease in net assets by the governmental activities is the result of school construction bonds issued by the City for the School Board. This debt is reflected as a liability for the City; however, the corresponding assets are recorded with the Component Unit – School Board.
- At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$21.8 million, an increase of \$2.7 million in comparison with the prior year. Approximately 98 percent of this amount, \$21.4 million, is available for spending at the government's discretion (undesignated fund balance).
- As of the close of the current fiscal year, the unreserved fund balance of the City's general fund was \$19 million, an increase of \$3.4 million in comparison with the prior year. This amount represents 27% of total general fund expenditures.
- The City's total bonded debt increased by \$16.5 million, or 27%, during the current fiscal year due to the issuance of \$20 million in new debt issued primarily for school construction projects.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components:

- Government-wide financial statements
- Fund financial statements
- Notes to financial statements

This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenue (governmental activities) from other functions that are

intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include: general government; judicial administration; public safety; public works; health and welfare; and recreation and cultural. The business-type activities of the City include water and sewer and bus operations.

The government-wide financial statements include not only the City itself (known as the primary government), but also a legally separate school district and a legally separate parking authority for which the City is financially accountable. Financial information for these component units is reported separately from the financial information presented for the primary government itself.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financing decisions. Both the governmental fund balance sheet and the governmental statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains thirteen governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the general fund, which is considered a major fund. Data from the other twelve governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts a biennial appropriated budget for its governmental funds. A budgetary comparison statement has been provided for the governmental funds to demonstrate compliance with this budget.

Proprietary funds. The City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water and sewer operations and for its bus service. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its employee benefits program, insurance programs, and equipment maintenance operation. Because these three functions predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water and Sewer Fund (a major fund) and the Bus Service Fund (a nonmajor fund). Conversely, the internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The City has four fiduciary funds: the Northern Shenandoah Valley CSA Trust Fund, Special Welfare Fund, Northwestern Regional Jail Authority Construction Fund, and Northwestern Regional Juvenile Detention Center Fund. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 24-47 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on page 49 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds are presented immediately following the required supplementary information on pensions.

Government-wide Financial Analysis

As noted earlier, net assets (assets in excess of liabilities) may serve over time as a useful indicator of a government's financial position. Table 1 shows that the primary government's assets exceeded liabilities by \$48.5 million at the close of fiscal year 2005.

The City's net assets reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although, the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Table 1
City of Winchester's Net Assets
Fiscal Year ended June 30, 2005
(in millions)

	Governmental Activities		Business-Type Activities		Total Primary Government		Component Unit School Board	
	2005	2004	2005	2004	2005	2004	2005	2004
Assets								
Current and other assets	\$ 30.2	\$ 25.7	\$ 10.8	\$ 9.2	\$ 41.0	\$ 34.9	\$ 20.4	\$ 12.1
Capital assets	43.7	41.7	50.3	46.1	94.0	87.8	42.7	23.0
Total Assets	73.9	67.4	61.1	55.3	135.0	122.7	63.1	35.1
Liabilities								
Current and other liabilities	9.9	7.3	3.0	2.7	12.9	10.0	14.9	6.2
Long-term liabilities	53.1	38.1	20.5	20.1	73.6	58.2	0.6	0.5
Total Liabilities	63.0	45.4	23.5	22.8	86.5	68.2	15.5	6.7
Net Assets								
Invested in capital assets, net of related debt	27.5	23.9	30.1	28.3	57.6	52.2	42.7	23.0
Unrestricted net assets	(16.6)	(1.9)	7.5	4.2	(9.1)	2.3	4.9	5.4
Total Net Assets-as adjusted (Note 19)	\$ 10.9	\$ 22.0	\$ 37.6	\$ 32.5	\$ 48.5	\$ 54.5	\$ 47.6	\$ 28.4

Governmental activities. As shown in Table 2, net assets for governmental activities decreased from \$22.0 million at the end of FY2004 to \$10.9 million at the end of FY2005. The major reason for the decrease is due to the fact that the City borrowed and expensed \$18.4 million in FY2005 for school construction projects. The City, as required by GASB 34, reports its liability for the repayment of the debt associated with the construction of school facilities under the governmental activities category. The City, not the School Board, is obligated for the debt. The related capital assets are presented under the Component Unit – School Board.

If the debt related to the construction of schools was not presented in governmental activities, the net assets for the governmental activities would be \$48.9 million and the total net assets for the primary government would be \$97.0 million.

Table 2
Changes in the City of Winchester's Net Assets
Fiscal Year ended June 30, 2005
(in millions)

	Governmental Activities		Business-Type Activities		Total Primary Government		Component Unit School Board	
	2005	2004	2005	2004	2005	2004	2005	2004
Revenues								
Program Revenues								
Charges for services	\$ 2.8	\$ 2.6	\$ 14.7	\$ 13.3	\$ 17.5	\$ 15.9	\$ 0.9	\$ 0.9
Operating grants and contributions	8.3	8.5	0.4	0.3	8.7	8.8	15.6	13.7
Capital grants and contributions	1.3	0.3	2.5	0.3	3.8	0.6	19.8	6.2
General Revenues								
Property taxes	20.7	17.5	-	-	20.7	17.5	-	-
Sales taxes	10.3	10.4	-	-	10.3	10.4	-	-
Other taxes	17.0	14.5	-	-	17.0	14.5	-	-
Grants and contributions not restricted to specific programs	3.8	3.6	-	-	3.8	3.6	-	-
Unrestricted investment earnings	0.2	0.1	0.2	0.1	0.4	0.2	0.4	0.1
Other	0.3	0.8	0.5	-	0.8	0.8	22.2	21.4
Total revenues	\$ 64.7	\$ 58.3	\$ 18.3	\$ 14.0	\$ 83.0	\$ 72.3	\$ 58.9	\$ 42.3
Expenses								
General government administration	3.7	3.6	-	-	3.7	3.6	-	-
Judicial administration	1.3	1.5	-	-	1.3	1.5	-	-
Public safety	12.4	11.2	-	-	12.4	11.2	-	-
Public works	5.2	5.2	-	-	5.2	5.2	-	-
Health and welfare	6.7	6.3	-	-	6.7	6.3	-	-
Education	41.4	26.9	-	-	41.4	26.9	39.7	36.7
Parks, recreation and culture	2.3	2.5	-	-	2.3	2.5	-	-
Community development	2.5	1.4	-	-	2.5	1.4	-	-
Interest on long-term debt	2.1	1.8	-	-	2.1	1.8	-	-
Water and sewer	-	-	10.8	10.7	10.8	10.7	-	-
Bus service	-	-	0.6	0.6	0.6	0.6	-	-
Total expenses	77.6	60.4	11.4	11.3	89.0	71.7	39.7	36.7
Increase (decrease) in net assets before transfers	(12.9)	(2.1)	6.9	2.7	(6.0)	0.6	19.2	5.6
Transfers	1.8	1.4	(1.8)	(1.4)	-	-	-	-
Increase (decrease) in net assets	(11.1)	(0.7)	5.1	1.3	(6.0)	0.6	19.2	5.6
Net Assets - July 1, 2004 as adjusted (Note 19)	22.0	22.7	32.5	31.2	54.5	53.9	28.4	22.8
Net Assets - June 30, 2005	\$ 10.9	\$ 22.0	\$ 37.6	\$ 32.5	\$ 48.5	\$ 54.5	\$ 47.6	\$ 28.4

As shown in Table 2, the City's revenues from governmental activities totaled \$64.7 million for FY2005, an increase of \$6.4 million from FY2004. As shown in Figure A, the City received 74% of its revenue from taxes. The major source of revenue for the City was property taxes (\$20.7 million or 32%), composed of real estate, personal property taxes, and machinery and tools taxes. The City's assessed value of taxable real property for FY2005 increased by approximately 21%, primarily due to the general reassessment of real property completed for the 2005 tax year. This resulted in a \$3.0 million increase in real estate taxes over the prior year. The City will use this increase in revenue to offset the upcoming increase in debt service payments due to the school construction projects started in FY2004.

The City's expenses from governmental activities totaled \$77.6 million for the fiscal year ended June 30, 2005. As shown in Figure B, education was the largest expense at \$41.4 million or 54%, an increase of \$14.5 million from FY2004. This large increase in education expense represents the City's transfer of bond proceeds to the School Board to fund school construction. Public safety was the second largest expense at \$12.4 million or 16%. Table 2 shows the City's revenue and expenses of the governmental and business-type activities.

Figure A
Revenues by Source – Governmental Activities

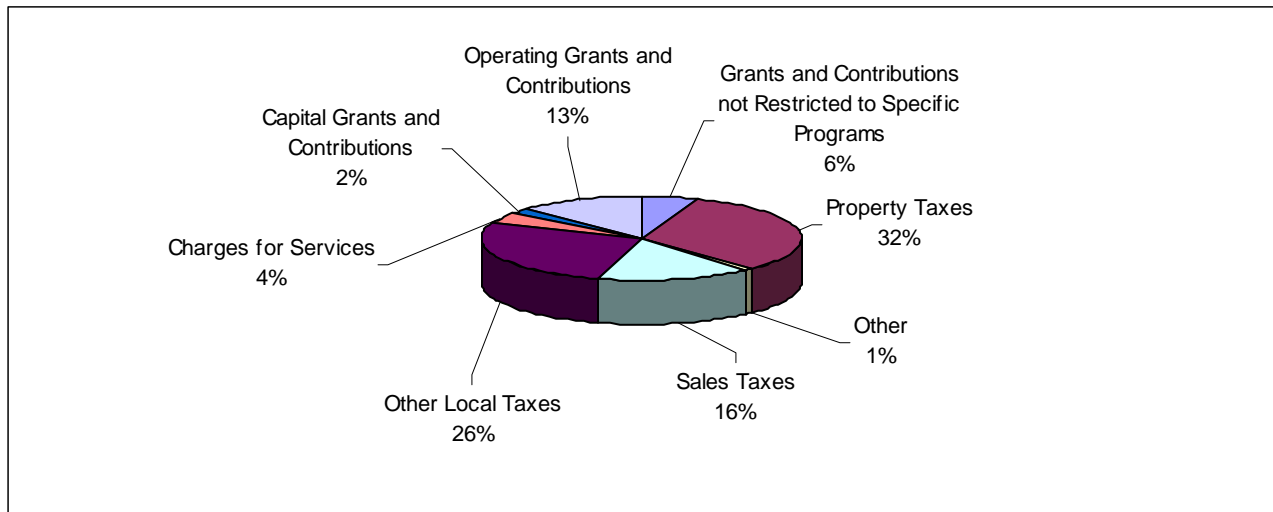
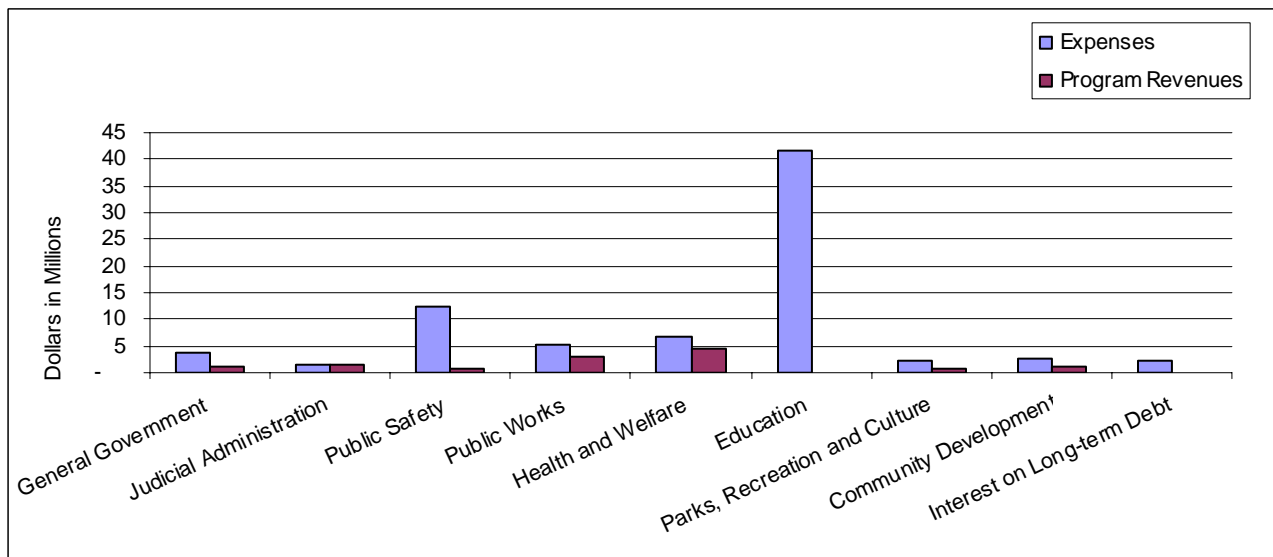


Figure B
Expenses and Program Revenues – Governmental Activities



Business-type activities. The City's business-type activities include the water and sewer fund and the bus service fund. The net assets of these business-type activities totaled \$37.6 million (Table 2) an increase of \$5.1 million from the prior year. As shown in Figure C, the major revenue source for the business-type activities is charges for services, including water and sewer utility and transit fees, which totaled \$14.7 million or 80% of the total revenues for business-type activities. Capital grants and contributions increased from 2% (\$314,144) at the end of fiscal year 2004 to 14% (\$2.5 million) at the close of fiscal year 2005. This increase can be attributed to the increase of contributed capital in the form of water & sewer infrastructure to the City. Expenses of the business-type activities totaled \$11.4 million, only a slight increase from the prior year.

Figure C
Revenues by Source – Business-type Activities

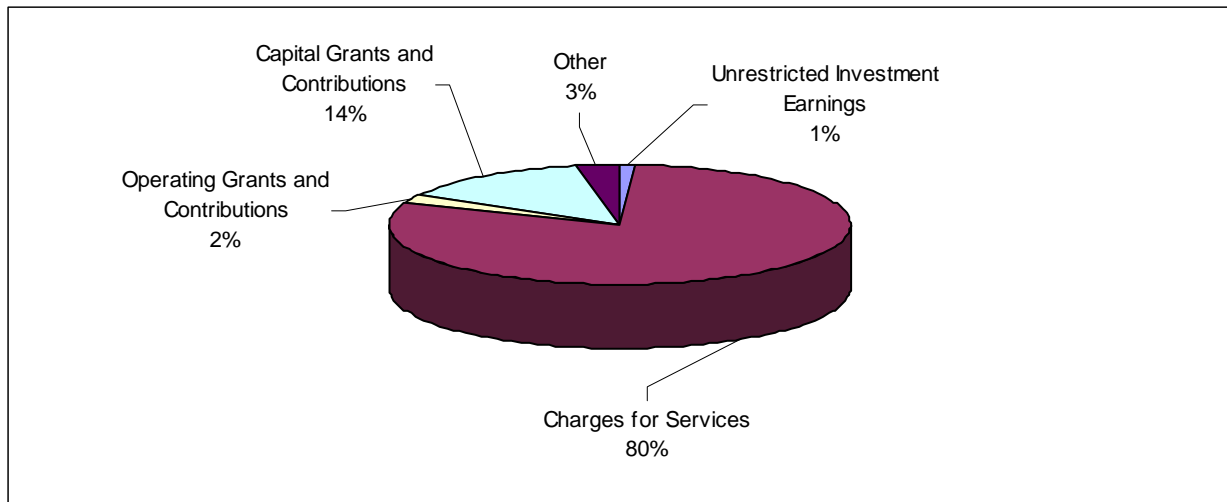
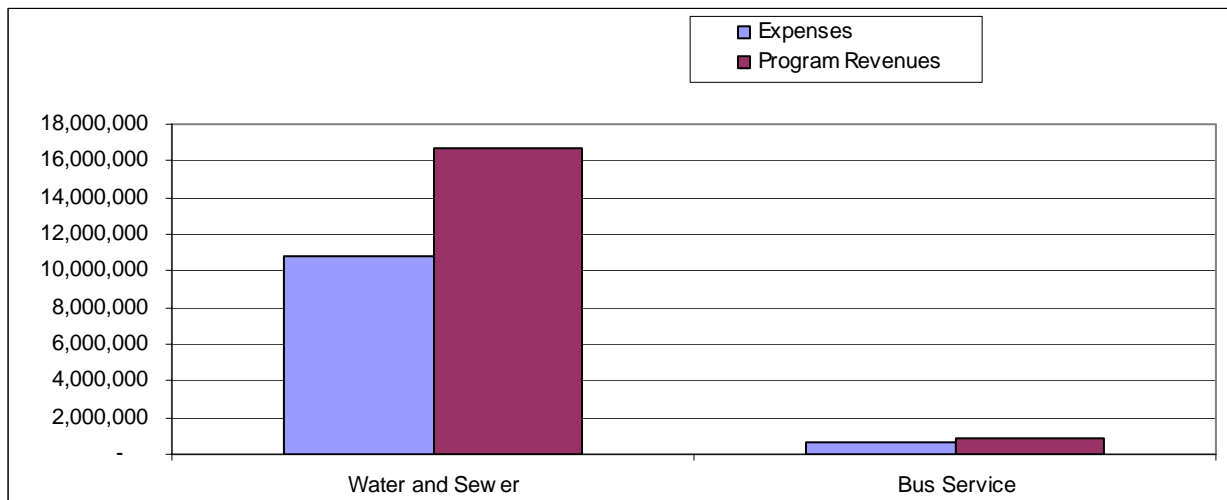


Figure D
Expenses and Program Revenues – Business-type Activities



Financial Analysis of the City's Funds

The City of Winchester uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

For the fiscal year ended June 30, 2005, the City's governmental funds reported combined fund balances of \$21.8 million, an increase of \$2.7 million in comparison with the prior year. Approximately \$21.4 million of the combined total fund balances constitutes unreserved fund balance, which is generally available for spending at the City's discretion.

The general fund is the chief operating fund of the City. For the fiscal year ended June 30, 2005, the unreserved, undesignated fund balance of the general fund was \$18.7 million, while total fund balance reached \$19.0 million. Unreserved, undesignated fund balance represents 27% of total general fund expenditures, as a measure of the general fund's liquidity.

The fund balance of the City's general fund increased by \$3.4 million during the current fiscal year, primarily due to the additional property tax revenues generated from the 21% increase in real property assessment values within the City. Another factor was the increase in other local taxes, such as meals tax, business, professional and occupational licenses, telephone utility, and recordation taxes, due to the strong local economy.

Proprietary funds. The City's proprietary fund statements provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net assets of the City's water and sewer fund for the fiscal year ended June 30, 2005, amounted to \$7.3 million, and those for the bus service fund amounted to \$0.2 million. The total growth in net assets for both funds was \$4.0 million and \$1.0 million, respectively.

General Fund Budgetary Highlights

City Council revised the City budget five times over the course of the year. The difference between the original budget and the final amended budget for the general fund was an increase of \$21.8 million, including the following:

- \$19.1 million supplemental appropriation for the transfer of bond proceeds to the School Board for the renovations and expansion of school facilities.
- \$0.8 million supplemental appropriation for the City's contribution to the new History & Tourism Center being built in Jim Barnett Park.
- \$0.5 million supplemental appropriation to the Northwestern Regional Jail Authority for capital improvements.

Actual revenues exceeded final budget amounts by \$3.9 million, while actual expenditures were \$2.0 million less than final budget amounts. Highlights of the comparison of final budget to actual figures include the following:

- Actual general property tax revenues exceeded estimated revenues by \$1.8 million due to an average 21% increase in real estate assessments. This revenue will allow the City to grow our fund balance while still maintaining a reasonable tax rate during this time when the City is embarking on many new capital projects.
- Other local taxes also exceeded estimated revenues by \$1.3 million, due to a combination of increases in meals taxes; business, professional and occupational licenses taxes; telephone utility taxes; and recordation taxes. These increases are the direct result of brisk economic growth in retail, commercial and the housing market, which has remained strong and continues to grow.
- Actual combined general government administration, public safety, public works, and health and welfare expenditures were \$1.8 million less than budgeted amounts resulting primarily from savings in personnel costs due to managed position vacancies.
- Actual correction and detention expenditures were \$0.5 million less than budgeted amounts due to the delay in construction on the expansion of the Northwestern Regional Jail.

Capital Assets and Debt Administration

Capital assets. The City of Winchester's investment in capital assets for its governmental and business-type activities as of June 30, 2005, amounts to \$93.9 million net of depreciation, which represents an increase of \$6.1 million, or 7% over the prior year. This investment includes land, buildings, improvements, water and sewer distribution systems, roads and bridges, and machinery and equipment. More detailed information regarding the City's capital assets can be found in Note 7 to the financial statements.

Major capital asset events during the fiscal year included the following:

- Completion of a new courtroom in the Joint Judicial Center for a cost of \$0.5 million.
- Completion of a new maintenance shed in Jim Barnett Park for \$93,000.
- Developer conveyance of the new street, Hope Drive, for \$.8 million.
- Work continues on the Town Run sewer and storm water system improvements and burial of overhead utilities; construction in progress as of the end of the current fiscal year had reached \$6.6 million.
- Developer conveyance of sewer lines and manholes totaled \$2.0 million.

Table 3 summarizes the City's capital assets as of June 30, 2004 and 2005.

Table 3
City of Winchester's Capital Assets
(net of depreciation)
Fiscal Year ended June 30, 2005

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2005	2004	2005	2004	2005	2004
Land	\$ 2,958,719	\$ 2,958,719	\$ 1,451,070	\$ 1,451,070	\$ 4,409,789	\$ 4,409,789
Construction in progress	2,988,839	1,437,658	4,292,608	1,679,342	7,281,447	3,117,000
Buildings	13,012,125	13,325,938	1,188,075	1,250,018	14,200,200	14,575,956
Improvements other than buildings	2,575,894	2,096,162	8,171	11,552	2,584,065	2,107,714
Infrastructure	19,620,854	19,301,532	42,275,581	41,094,740	61,896,435	60,396,272
Machinery & Equipment	2,527,220	2,569,792	1,043,318	645,353	3,570,538	3,215,145
Total capital assets-as adjusted (Note 7)	\$ 43,683,651	\$ 41,689,801	\$ 50,258,823	\$ 46,132,075	\$ 93,942,474	\$ 87,821,876

Long-term debt. As shown in Table 4, the City of Winchester had total bonded debt and capital leases outstanding of \$77.2 million, for the fiscal year ended June 30, 2005, an increase of \$16.5 million from the fiscal year ended June 30, 2004. This entire amount is backed by the full faith and credit of the City, with \$21.3 million of the total being repaid by the City's business-type activities.

Table 4
City of Winchester's Outstanding Debt
Fiscal Year ended June 30, 2005

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2005	2004	2005	2004	2005	2004
General Obligation Bonds	\$ 54,971,522	\$ 39,372,376	\$ 21,291,086	\$ 20,762,190	\$ 76,262,608	\$ 60,134,566
Capital Lease Agreements	945,288	562,352	-	-	945,288	562,352
Total capital assets	\$ 55,916,810	\$ 39,934,728	\$ 21,291,086	\$ 20,762,190	\$ 77,207,896	\$ 60,696,918

For the fiscal year ended June 30, 2005, the City retired \$18.3 million of outstanding principal and issued \$35 million of new long-term debt. More detailed information regarding the City's long-term debt can be found in Note 10 to the financial statements.

The City issued \$20 million general obligation public improvement bonds to finance school design, school construction, and utility improvements.

The City issued \$15.0 million general obligation refunding bonds to provide resources to purchase U.S. Treasury Obligations that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of \$14.2 million of three earlier general obligation issues. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the governmental and business-type activities columns of the statement of net assets. This advance refunding was undertaken to reduce total debt service payments over the next 15 years by \$0.9 million and resulted in an economic gain of \$0.6 million.

The City's General Obligation Bonds in prior bond issues have been rated AA by Standard & Poor's Corporation, and Aa3 by Moody's Investors Service. The legal debt margin of the City is 10% of the total assessed valuation of the real estate within the City, which is subject to local taxation. The limitation complies with Article VII, Section 10(a) of the Constitution of Virginia, 1971, and Section 15.1-176 of the Code of Virginia, 1950, which defines the limitation on outstanding indebtedness that may be incurred by cities. Based on 10% of the assessed value of real property, the City's legal debt limit is \$244.6 million. As of June 30, 2005, the City's total debt applicable to the limitation totaled \$76.6 million, leaving a legal debt margin of \$167.9 million.

Economic Factors and Next Year's Budgets and Rates

- There is an active reimbursement resolution for \$4.5 million to pay costs for a Senior Center and Joint Judicial Center HVAC and roof replacement costs before bond proceeds are received in FY2006.
- There is a group studying the feasibility of an Emergency Medical Service fee. Funds generated from this fee would be used to pay for additional staffing and equipment for the Fire & Rescue Department and Volunteer Fire Stations throughout the City of Winchester.
- City staff will be looking into ways to redevelop existing structures and eliminate blight throughout the City in an effort to create affordable housing for all.
- Economic development continues to be an ongoing effort within the City. We are currently expanding and improving our infrastructure to support more business and industry along Valley Avenue (U.S. route 11), a major commercial, retail and industrial corridor.
- The real estate tax rate may be adjusted based on an increase (or decrease) in assessments. The next real estate reassessments will be effective January 1, 2007. New housing throughout the City may contribute to increased real estate revenue.
- Effective FY2007 the real estate benefits for tax relief for the elderly and disabled were increased to help aid more of the City's elderly and/or disabled.
- In an effort to reduce costs and encourage recycling the City has changed the way our recycling & refuse collection is handled. Currently, there is no limit for refuse pickup; however, beginning in FY 2006 there will be a limit of three (3) bags of garbage for residential customers. In addition, the City will no longer provide trash collection service to multi-family dwelling units. A multi-family project is defined as any apartment building or other building, or a group of buildings within the City consisting of more than four (4) dwelling units.
- For the month of June 2005, the City's unemployment rate was 3.59%, compared to the State's 3.8% and Federal rate of 5.2%.

Contacting the City's Financial Management

This financial report is designed to provide citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the funds it receives. If you have questions about this report or need additional financial information, contact the Director of Finance, City of Winchester, 15 N. Cameron Street, Winchester, VA 22601.

BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF WINCHESTER, VIRGINIA
STATEMENT OF NET ASSETS
June 30, 2005

Exhibit 1

	Primary Government			Component Units	
	Governmental Activities	Business- type Activities	Total	School Board	Winchester Parking Authority
ASSETS					
Cash	\$ 3,399,095	\$ 1,489,778	\$ 4,888,873	\$ 1,388,367	\$ 130,150
Investments	12,437,623	6,490,420	18,928,043	17,298,313	464,468
Receivables (net of allowance for uncollectibles):					
Taxes, including penalties	1,379,452	-	1,379,452	-	-
Accounts	1,120,756	2,312,642	3,433,398	86,852	286
Interest	31,663	15,635	47,298	15,082	1,363
Notes	-	-	-	222,643	-
Due from other governments	3,682,246	312,646	3,994,892	1,393,205	-
Due from component unit	7,548,306	-	7,548,306	-	-
Internal balances	84,026	(84,026)	-	-	-
Inventories	96,698	189,961	286,659	26,182	-
Prepays	20,289	-	20,289	-	-
Deferred charges	438,570	140,763	579,333	-	-
Capital assets not being depreciated:					
Land	2,958,719	1,451,070	4,409,789	2,307,970	11,685
Construction in progress	2,988,839	4,292,608	7,281,447	24,092,774	-
Capital assets, net of accumulated depreciation:					
Buildings and system	13,012,125	1,188,075	14,200,200	14,258,214	1,057,710
Improvements other than buildings	2,575,894	8,171	2,584,065	260,038	3,506
Machinery and equipment	2,527,220	1,043,318	3,570,538	1,763,562	40,721
Infrastructure	19,620,854	42,275,581	61,896,435	-	-
Total assets	<u>73,922,375</u>	<u>61,126,642</u>	<u>135,049,017</u>	<u>63,113,202</u>	<u>1,709,889</u>
LIABILITIES					
Accounts payable and other current liabilities	4,024,055	1,683,340	5,707,395	7,314,320	43,718
Accrued interest payable	831,743	282,523	1,114,266	-	-
Due to primary government	-	-	-	7,548,306	-
Unearned revenue	818,110	-	818,110	-	-
Noncurrent liabilities:					
Due within one year	4,225,174	1,052,896	5,278,070	30,000	-
Due in more than one year	53,102,988	20,514,969	73,617,957	572,530	43,089
Total liabilities	<u>63,002,070</u>	<u>23,533,728</u>	<u>86,535,798</u>	<u>15,465,156</u>	<u>86,807</u>
NET ASSETS					
Invested in capital assets, net of related debt	27,530,372	30,128,483	57,658,855	42,682,558	1,113,622
Unrestricted	(16,610,067)	7,464,431	(9,145,636)	4,965,488	509,460
Total net assets	<u>\$ 10,920,305</u>	<u>\$ 37,592,914</u>	<u>\$ 48,513,219</u>	<u>\$ 47,648,046</u>	<u>\$ 1,623,082</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF WINCHESTER, VIRGINIA
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2005**

13

Exhibit 2

Functions/Programs	Program Revenues				Net (Expenses) Revenues and Changes in Net Assets				Component Units		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	School Board	Winchester Parking Authority		
					Governmental Activities	Business-type Activities					
Primary government:											
Governmental activities:											
General government administration	\$ 3,757,763	\$ 609,001	\$ 379,266	\$ -	\$ (2,769,496)		\$ (2,769,496)				
Judicial administration	1,327,540	418,589	1,137,497	-	228,546		228,546				
Public safety	12,392,777	109,541	454,332	-	(11,828,904)		(11,828,904)				
Public works	5,212,319	358,752	1,955,993	829,947	(2,067,627)		(2,067,627)				
Health and welfare	6,652,692	71,228	4,242,491	-	(2,338,973)		(2,338,973)				
Education	41,445,344	-	-	-	(41,445,344)		(41,445,344)				
Parks, recreation and culture	2,352,025	588,779	5,000	-	(1,758,246)		(1,758,246)				
Community development	2,449,154	636,958	160,669	487,971	(1,163,556)		(1,163,556)				
Interest on long-term debt	2,077,447	-	-	-	(2,077,447)		(2,077,447)				
Total governmental activities	77,667,061	2,792,848	8,335,248	1,317,918	(65,221,047)		(65,221,047)				
Business-type activities:											
Water and sewer	\$ 10,291,642	\$ 14,618,918	\$ -	\$ 2,032,725	\$ -	\$ 6,360,001	\$ 6,360,001				
Bus service	645,959	66,376	392,920	463,719	-	277,056	277,056				
Total business-type activities	10,937,601	14,685,294	392,920	2,496,444	-	6,637,057	6,637,057				
Total primary government	88,604,662	17,478,142	8,728,168	3,814,362	(65,221,047)	\$ 6,637,057	\$ (58,583,990)				
Component units:											
School board	\$ 39,729,723	\$ 915,437	\$ 15,551,702	\$ 19,836,755				\$ (3,425,829)	\$ -		\$ -
Parking authority	658,838	572,551	-	-				-	(86,287)		(86,287)
Total component unit	40,388,561	1,487,988	15,551,702	19,836,755				(3,425,829)	(86,287)		(86,287)
General revenues:											
Taxes:											
General property					\$ 20,654,729	\$ -	\$ 20,654,729	\$ -	\$ -		\$ -
Sales					10,273,222	-	10,273,222	-	-		-
Utility					3,394,446	-	3,394,446	-	-		-
Business license					5,400,295	-	5,400,295	-	-		-
Franchise					1,057,007	-	1,057,007	-	-		-
Hotel and meals					5,032,624	-	5,032,624	-	-		-
E-911					651,115	-	651,115	-	-		-
Other local taxes					1,468,133	-	1,468,133	-	-		-
Miscellaneous					414,694	13,519	428,213	246,617	12,500		298
Payment from City of Winchester:					-	-	-	-	-		-
Education - unrestricted					-	-	-	21,975,750	-		-
Grants and contributions not restricted to specific programs					3,752,212	-	3,752,212	-	-		-
Unrestricted investment earnings					205,740	195,569	401,309	424,115	8,487		8,487
Gain on sale of capital assets					-	-	-	8,748	-		-
Transfers					1,819,869	(1,819,869)	-	-	-		-
Total revenues and transfers					54,124,086	(1,610,781)	52,513,305	22,655,230	21,285		21,285
Change in net assets					(11,096,961)	5,026,276	(6,070,685)	19,229,401	(65,002)		(65,002)
Net assets - beginning - as adjusted (Note 19)					22,017,266	32,566,638	54,583,904	28,418,645	1,688,084		1,688,084
Net assets - ending					10,920,305	37,592,914	48,513,219	47,648,046	1,623,082		1,623,082

The notes to the financial statements are an integral part of this statement.

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FUND FINANCIAL STATEMENTS

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**CITY OF WINCHESTER, VIRGINIA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2005**

Exhibit 3

	General	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash	\$ 2,200,503	\$ 328,171	\$ 2,528,674
Investments	7,864,402	2,818,109	10,682,511
Receivables (Net of allowances for uncollectibles):			
Taxes, including penalties	1,379,452	-	1,379,452
Accounts	1,047,353	73,044	1,120,397
Interest	23,070	3,444	26,514
Due from other funds	567,006	-	567,006
Due from component unit	7,548,306	-	7,548,306
Due from other governments	2,152,103	1,530,143	3,682,246
Prepaid items	70,439	-	70,439
Total assets	<u>\$ 22,852,634</u>	<u>\$ 4,752,911</u>	<u>\$ 27,605,545</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	1,279,915	861,600	2,141,515
Deposits payable	131,212	-	131,212
Accrued payroll	676,802	186,359	863,161
Retainage payable	-	63,905	63,905
Due to other funds	-	458,306	458,306
Amounts held for others	39,586	-	39,586
Deferred revenues	1,742,991	335,740	2,078,731
Total liabilities	<u>3,870,506</u>	<u>1,905,910</u>	<u>5,776,416</u>
Fund balances:			
Reserved for:			
Housing loans	-	126,832	126,832
Unreserved, designated for, reported in:			
Public safety	278,460	-	278,460
Special revenue funds	-	50,040	50,040
Unreserved, undesignated reported in:			
General fund	18,703,668	-	18,703,668
Special revenue funds	-	1,236,501	1,236,501
Debt service funds	-	482,877	482,877
Capital projects funds	-	950,751	950,751
Total fund balances	<u>18,982,128</u>	<u>2,847,001</u>	<u>21,829,129</u>
Total liabilities and fund balances	<u>\$ 22,852,634</u>	<u>\$ 4,752,911</u>	

Amounts reported for governmental activities in the statement of net assets (Exhibit 1) are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	43,679,479
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	1,260,621
Internal service funds are used by management to charge the costs of supplies, employee benefits, and risk management to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	1,886,033
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(57,734,957)
Net assets of governmental activities	<u>\$ 10,920,305</u>

The notes to the financial statements are an integral part of this statement.

CITY OF WINCHESTER, VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2005

Exhibit 4

	General Fund	Other Governmental Funds	Total Governmental Funds
REVENUES			
General property taxes	\$ 20,502,718	\$ -	\$ 20,502,718
Other local taxes	26,625,727	651,115	27,276,842
Permits, privilege fees and regulatory licenses	639,874	-	639,874
Fines and forfeitures	274,987	-	274,987
Revenues from use of money and property	180,018	46,848	226,866
Charges for services	808,740	25,614	834,354
Miscellaneous	132,590	258,768	391,358
Recovered costs	641,972	8,498	650,470
Intergovernmental:			
Commonwealth	5,279,824	4,314,979	9,594,803
Federal	32,075	2,948,553	2,980,628
Total revenues	<u>55,118,525</u>	<u>8,254,375</u>	<u>63,372,900</u>
EXPENDITURES			
Current:			
General government administration	3,140,752	-	3,140,752
Judicial administration	1,513,014	148,803	1,661,817
Public safety	11,485,629	1,019,585	12,505,214
Public works	2,259,440	3,385,873	5,645,313
Health and welfare	631,275	6,047,625	6,678,900
Education	41,445,344	-	41,445,344
Parks, recreation and culture	2,125,648	-	2,125,648
Community development	1,509,961	946,609	2,456,570
Capital projects	-	744,593	744,593
Debt service:			
Principal retirement	3,320,201	191,098	3,511,299
Interest and fiscal charges	1,699,823	63,268	1,763,091
Bond issuance costs	293,372	4,314	297,686
Advance refunding escrow	122,236	7,142	129,378
Total expenditures	<u>69,546,695</u>	<u>12,558,910</u>	<u>82,105,605</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(14,428,170)</u>	<u>(4,304,535)</u>	<u>(18,732,705)</u>
OTHER FINANCING SOURCES (USES)			
Sale of property	7,004	-	7,004
Bonds issued	27,749,777	422,813	28,172,590
Premium on debt	607,556	13,069	620,625
Capital lease	766,308	-	766,308
Payment to refunded bond escrow agent	(9,521,373)	(431,495)	(9,952,868)
Transfers in	1,086,698	3,628,766	4,715,464
Transfers out	(2,895,595)	-	(2,895,595)
Total other financing sources and uses	<u>17,800,375</u>	<u>3,633,153</u>	<u>21,433,528</u>
Net change in fund balances	3,372,205	(671,382)	2,700,823
Fund balance - beginning, as adjusted (Note 19)	<u>15,609,923</u>	<u>3,518,383</u>	<u>19,128,306</u>
Fund balance - ending	<u>\$ 18,982,128</u>	<u>\$ 2,847,001</u>	<u>\$ 21,829,129</u>

**CITY OF WINCHESTER, VIRGINIA
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2005**

Exhibit 5

Net change in fund balances - total governmental funds (Exhibit 4)	\$ 2,700,823
Amounts reported for governmental activities in the statement of activities (Exhibit 2) are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (2,837,793) exceeded depreciation (1,584,758) in the current period.	1,253,035
In the statement of activities, only the <i>gain (loss)</i> on the sale of capital assets is reported, whereas in the governmental funds, the entire proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balances by the <i>cost</i> of the property sold.	(84,777)
Donations of capital assets increase net assets in the statement of activities, but do not appear in the governmental funds because they are not financial resources.	829,947
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	152,011
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(15,668,292)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(294,484)
Internal service funds are used by management to charge the costs of supplies, employee benefits, and risk management to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities.	14,776
Change in net assets of governmental activities	<u>\$ (11,096,961)</u>

CITY OF WINCHESTER, VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended June 30, 2005

Exhibit 6

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
REVENUES				
General property taxes	\$ 18,699,500	\$ 18,699,500	\$ 20,502,718	\$ 1,803,218
Other local taxes	24,600,000	25,371,000	26,625,727	1,254,727
Permits, privilege fees and regulatory licenses	430,500	430,500	639,874	209,374
Fines and forfeitures	180,000	180,000	274,987	94,987
Revenues from use of money and property	136,000	136,000	180,018	44,018
Charges for services	685,460	685,460	808,740	123,280
Miscellaneous	76,000	84,500	132,590	48,090
Recovered costs	631,000	667,000	641,972	(25,028)
Intergovernmental:				
Commonwealth	5,140,540	4,877,840	5,279,824	401,984
Federal	-	12,950	32,075	19,125
Total revenues	<u>50,579,000</u>	<u>51,144,750</u>	<u>55,118,525</u>	<u>3,973,775</u>
EXPENDITURES				
Current:				
General Government Administration:				
Legislative	111,500	117,600	117,523	77
General and Financial Administration	3,423,500	3,274,700	2,909,407	365,293
Board of Elections	109,200	114,400	113,822	578
Total General Government Administration	<u>3,644,200</u>	<u>3,506,700</u>	<u>3,140,752</u>	<u>365,948</u>
Judicial Administration:				
Courts	870,300	959,800	945,289	14,511
Commonwealth Attorney	547,500	568,000	567,725	275
Total Judicial Administration	<u>1,417,800</u>	<u>1,527,800</u>	<u>1,513,014</u>	<u>14,786</u>
Public Safety:				
Law Enforcement and Traffic Control	5,357,800	5,407,800	5,207,864	199,936
Fire and Rescue Services	3,040,300	3,094,050	3,062,138	31,912
Correction and Detention	2,216,500	2,677,500	2,214,397	463,103
Inspections	453,600	507,100	506,885	215
Other Protection	338,900	622,604	494,345	128,259
Total Public Safety	<u>11,407,100</u>	<u>12,309,054</u>	<u>11,485,629</u>	<u>823,425</u>
Public Works:				
Maintenance of Highways, Streets, Bridges & Sidewalks	133,100	108,100	81,828	26,272
Sanitation and Waste Removal	1,001,000	1,001,000	967,490	33,510
Maintenance of Buildings and Grounds	1,323,400	1,419,400	1,210,122	209,278
Total Public Works	<u>2,457,500</u>	<u>2,528,500</u>	<u>2,259,440</u>	<u>269,060</u>
Health and Welfare:				
Health	225,700	224,700	224,700	-
Chapter X Board	124,500	124,500	124,500	-
Welfare/Social Services	580,900	580,900	282,075	298,825
Total Health and Welfare	<u>931,100</u>	<u>930,100</u>	<u>631,275</u>	<u>298,825</u>
Education:				
Contributions to Community College	20,100	156,300	156,300	-
Contributions to City School Board	22,143,200	41,289,058	41,289,044	14
Total Education	<u>22,163,300</u>	<u>41,445,358</u>	<u>41,445,344</u>	<u>14</u>
Parks, Recreation and Cultural:				
Parks and Recreation	1,694,200	1,746,015	1,742,344	3,671
Cultural Enrichment	50,500	56,700	56,604	96
Contribution to Regional Library	326,700	326,700	326,700	-
Total Parks, Recreation, and Cultural	<u>2,071,400</u>	<u>2,129,415</u>	<u>2,125,648</u>	<u>3,767</u>

cont'd

CITY OF WINCHESTER, VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended June 30, 2005

				Exhibit 6 (cont'd)	
				Variance with	
				Final Budget -	
				Positive	
				(Negative)	
		Budgeted Amounts	Actual		
		Original	Final	Amounts	
EXPENDITURES (cont'd)					
Current: (cont'd)					
Community Development:					
Planning and Community Development	\$	776,200	\$ 1,534,700	\$ 1,506,654	\$ 28,046
Environmental Management		21,000	58,000	3,307	54,693
Total Community Development		797,200	1,592,700	1,509,961	82,739
Debt Service:					
Principal retirement		3,105,939	3,368,135	3,320,201	47,934
Interest and fiscal charges		1,711,861	1,836,611	1,699,823	136,788
Bond issuance costs		-	294,504	293,372	1,132
Advance refunding escrow		-	-	122,236	(122,236)
Total Debt Service		4,817,800	5,499,250	5,435,632	63,618
Total expenditures		49,707,400	71,468,877	69,546,695	1,922,182
Excess of revenues over expenditures		871,600	(20,324,127)	(14,428,170)	5,895,957
OTHER FINANCING SOURCES (USES)					
Sale of property	-	-	7,004	7,004	
Bonds issued	-	27,880,700	27,749,777	(130,923)	
Premium on debt	-	611,600	607,556	(4,044)	
Capital lease	-	766,308	766,308	-	
Payment to refunded bond escrow agent	-	(9,555,300)	(9,521,373)	33,927	
Transfers in	1,094,000	1,104,000	1,086,698	(17,302)	
Transfers out	(1,965,600)	(2,973,749)	(2,895,595)	78,154	
Total other financing sources (uses)	(871,600)	17,833,559	17,800,375	(33,184)	
Net change in fund balances	-	(2,490,568)	3,372,205	5,862,773	
Fund balances - beginning, as adjusted (Note 19)	-	2,490,568	15,609,923	13,119,355	
Fund balances - ending	\$ -	\$ -	\$ 18,982,128	\$ 18,982,128	

CITY OF WINCHESTER, VIRGINIA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2005

Exhibit 7

	Business-type Activities- Enterprise Funds			Governmental Activities-
	Major	Nonmajor	Total	Internal Service Funds
	Water and Sewer Fund	Bus Service Fund		
ASSETS				
Current assets:				
Cash	\$ 1,489,602	\$ 176	\$ 1,489,778	\$ 870,421
Investments	6,490,397	23	6,490,420	1,755,112
Receivables (net of allowance for uncollectibles):				
Accounts	2,311,749	893	2,312,642	359
Interest	15,635	-	15,635	5,149
Due from other governments	-	312,646	312,646	-
Inventories	189,961	-	189,961	96,698
Total current assets	<u>10,497,344</u>	<u>313,738</u>	<u>10,811,082</u>	<u>2,727,739</u>
Noncurrent assets:				
Deferred charges	140,763	-	140,763	-
Capital assets:				
Land	1,451,070	-	1,451,070	-
Buildings and systems	2,459,279	643,701	3,102,980	-
Improvements other than buildings	118,837	-	118,837	-
Infrastructure	57,283,797	-	57,283,797	-
Machinery and equipment	1,135,432	999,966	2,135,398	89,967
Construction in progress	4,292,608	-	4,292,608	-
Less accumulated depreciation	(17,368,001)	(757,866)	(18,125,867)	(85,795)
Total capital assets (net of accumulated depreciation)	<u>49,373,022</u>	<u>885,801</u>	<u>50,258,823</u>	<u>4,172</u>
Total noncurrent assets	<u>49,513,785</u>	<u>885,801</u>	<u>50,399,586</u>	<u>4,172</u>
Total assets	<u>60,011,129</u>	<u>1,199,539</u>	<u>61,210,668</u>	<u>2,731,911</u>
LIABILITIES				
Current liabilities:				
Accounts payable	1,113,707	1,255	1,114,962	766,162
Customer deposits payable	277,058	-	277,058	-
Accrued payroll	140,441	24,536	164,977	18,514
Accrued interest payable	282,523	-	282,523	-
Retainage payable	126,343	-	126,343	-
Due to other funds	-	108,700	108,700	-
Compensated absences	262,942	13,837	276,779	36,528
General obligation bonds - current	1,026,896	-	1,026,896	-
Total current liabilities	<u>3,229,910</u>	<u>148,328</u>	<u>3,378,238</u>	<u>821,204</u>
Noncurrent liabilities:				
General obligation bonds payable (net of unamortized discounts, premiums, and deferred amount on refunding)	20,264,190	-	20,264,190	-
Total liabilities	<u>23,494,100</u>	<u>148,328</u>	<u>23,642,428</u>	<u>821,204</u>
NET ASSETS				
Invested in capital assets, net of related debt	29,242,682	885,801	30,128,483	4,172
Unrestricted	7,274,347	165,410	7,439,757	1,906,535
Total net assets	<u>\$ 36,517,029</u>	<u>\$ 1,051,211</u>	<u>\$ 37,568,240</u>	<u>\$ 1,910,707</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.			<u>24,674</u>	
Net assets of business-type activities			<u>\$ 37,592,914</u>	

The notes to the financial statements are an integral part of this statement.

CITY OF WINCHESTER, VIRGINIA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
For the Year Ended June 30, 2005

Exhibit 8

	Business-type Activities- Enterprise Funds			Governmental Activities-
	Major	Nonmajor	Total	Internal Service Funds
	Water and Sewer Fund	Bus Service Fund		
OPERATING REVENUES				
Revenue from use of property	\$ 3,850	\$ -	\$ 3,850	\$ -
Charges for services	11,874,778	65,082	11,939,860	3,073,324
Miscellaneous	9,669	-	9,669	5,908
Recovered costs	2,744,140	1,294	2,745,434	-
Total operating revenues	<u>14,632,437</u>	<u>66,376</u>	<u>14,698,813</u>	<u>3,079,232</u>
OPERATING EXPENSES				
Personal services	2,921,585	415,945	3,337,530	267,744
Contractual services	3,966,667	12,245	3,978,912	84,073
Other supplies and expenses	2,050,704	151,178	2,201,882	356,146
Insurance claims and expenses	-	-	-	2,356,298
Depreciation	996,379	66,591	1,062,970	4,355
Total operating expenses	<u>9,935,335</u>	<u>645,959</u>	<u>10,581,294</u>	<u>3,068,616</u>
Operating income (loss)	<u>4,697,102</u>	<u>(579,583)</u>	<u>4,117,519</u>	<u>10,616</u>
NONOPERATING REVENUES (EXPENSES)				
Gain (loss) on disposal of assets	552,000	-	552,000	-
Intergovernmental:				
Commonwealth	-	192,567	192,567	-
Federal	-	664,072	664,072	-
Investment earnings	195,569	-	195,569	2,210
Interest and fiscal charges	(906,357)	-	(906,357)	-
Total nonoperating revenues (expenses)	<u>(158,788)</u>	<u>856,639</u>	<u>697,851</u>	<u>2,210</u>
Income before contributions and transfers	4,538,314	277,056	4,815,370	12,826
Capital contributions - developer lines	2,032,725	-	2,032,725	-
Transfers in	-	692,991	692,991	-
Transfers out	<u>(2,512,860)</u>	<u>-</u>	<u>(2,512,860)</u>	<u>-</u>
Change in net assets	4,058,179	970,047	5,028,226	12,826
Total net assets - beginning	<u>32,458,850</u>	<u>81,164</u>		<u>1,897,881</u>
Total net assets - ending	<u>\$ 36,517,029</u>	<u>\$ 1,051,211</u>		<u>\$ 1,910,707</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.			(1,950)	
Change in net assets of business-type activities			<u>\$ 5,026,276</u>	

CITY OF WINCHESTER, VIRGINIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2005

Exhibit 9

	Business-type Activities- Enterprise Funds			Governmental Activities-
	Major Water and Sewer Fund	Nonmajor Bus Service Fund	Total	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers and users	\$ 11,495,010	\$ 65,997	\$ 11,561,007	\$ 2,787,049
Cash paid to suppliers	(6,157,037)	(163,204)	(6,320,241)	(450,211)
Cash paid to employees	(2,894,562)	(415,258)	(3,309,820)	(255,255)
Premiums paid	-	-	-	(2,202,540)
Other receipts (payments)	2,757,659	-	2,757,659	289,538
Net cash provided (used) by operating activities	5,201,070	(512,465)	4,688,605	168,581
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Subsidy from state grant	-	124,092	124,092	-
Subsidy from federal grant	1,399	-	1,399	-
Transfer from other funds	-	388,111	388,111	-
Transfer to other funds	(2,512,860)	-	(2,512,860)	-
Net cash provided (used) by noncapital financing activities	(2,511,461)	512,203	(1,999,258)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from capital debt	7,037,594	-	7,037,594	-
Transfer from other funds	-	47,080	47,080	-
Capital grants - state	-	47,080	47,080	-
Capital grants - federal	-	376,639	376,639	-
Acquisition and construction of capital assets	(2,508,634)	(470,799)	(2,979,433)	-
Principal paid on capital debt	(1,060,293)	-	(1,060,293)	-
Escrow payment for bond refunding	(5,462,331)	-	(5,462,331)	-
Interest paid on capital debt	(799,269)	-	(799,269)	-
Bond issue costs	(70,104)	-	(70,104)	-
Proceeds from sales of capital assets	552,000	-	552,000	-
Net cash provided (used) by capital and related financing activities	(2,311,037)	-	(2,311,037)	-
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment income (loss)	183,412	-	183,412	1,986
Net cash provided by investing activities	183,412	-	183,412	1,986
Net increase (decrease) in cash and cash equivalents	561,984	(262)	561,722	170,567
Cash and cash equivalents - beginning of year	7,418,015	461	7,418,476	2,454,966
Cash and cash equivalents - end of year	\$ 7,979,999	\$ 199	\$ 7,980,198	\$ 2,625,533
Cash and cash equivalents at end of year is comprised of the following:				
Cash	\$ 1,489,602	\$ 176	\$ 1,489,778	\$ 870,421
Cash equivalents - Investments	6,490,397	23	6,490,420	1,755,112
Total	\$ 7,979,999	\$ 199	\$ 7,980,198	\$ 2,625,533

cont'd

CITY OF WINCHESTER, VIRGINIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2005

	Business-type Activities- Enterprise Funds			Exhibit 9 (Cont'd) Governmental Activities-
	Major	Nonmajor	Total	Internal Service Funds
	Water and Sewer Fund	Bus Service Fund		
Reconciliation of operating income to net cash provided (used) by operating activities:				
Operating income (loss)	\$ 4,697,102	\$ (579,583)	\$ 4,117,519	\$ 10,616
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation	996,379	66,591	1,062,970	4,355
(Increase) decrease in accounts receivable	(461,065)	(379)	(461,444)	(2,645)
(Increase) decrease in inventories	20,492	-	20,492	(8,260)
Increase (decrease) in accounts payable	(160,158)	219	(159,939)	152,026
Increase (decrease) in accrued payroll	19,125	1,366	20,491	5,417
Increase (decrease) in compensated absences	7,898	(679)	7,219	7,072
Increase (decrease) in customer deposits payable	81,297	-	81,297	-
Total adjustments	503,968	67,118	571,086	157,965
Net cash provided (used) by operating activities	\$ 5,201,070	\$ (512,465)	\$ 4,688,605	\$ 168,581
Noncash investing, capital and financing activities:				
Capital contributions of water and sewer lines from developers	\$ 2,032,725	\$ -	\$ 2,032,725	\$ -

CITY OF WINCHESTER, VIRGINIA
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
June 30, 2005

	Exhibit 10
	Total Agency Funds
<hr/>	
ASSETS	
Cash	\$ 75,968
Investments	26,653,802
Accounts receivable	166,078
Interest receivable	660
Due from other governments	5,747
Total assets	<u>\$ 26,902,255</u>
 LIABILITIES	
Accounts payable	\$ 41,945
Accrued payroll	85,315
Amounts held for social service clients	13,121
Amounts held for NRJA	26,420,598
Amounts held for NRJDC	341,276
Total liabilities	<u>\$ 26,902,255</u>

CITY OF WINCHESTER, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City conform to generally accepted accounting principles (GAAP) applicable to government units promulgated by the Governmental Accounting Standards Board (GASB). The following is a summary of the more significant policies:

A. Reporting Entity

The City of Winchester, Virginia (the "City") is a municipal corporation governed by an elected mayor and thirteen-member council. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that it is legally separate from the government.

Blended Component Units:

The City of Winchester has no blended component units.

Discretely Presented Component Units:

The component unit columns in the financial statements include the financial data of the City's discretely presented component units. They are reported in separate columns to emphasize that they are legally separate from the City.

The City of Winchester School Board was created as a separate legal entity by the City to oversee the operations and management of its publicly funded primary and secondary schools. All members of the School Board are appointed by City Council, and the City has the ability to impose its will upon the Board. In addition, because the School Board does not have taxing powers, the School Board is fiscally dependent upon the City to provide significant funding to operate the public schools. The School Board must also obtain the City's approval for debt issuances.

The Winchester Parking Authority was created by the City of Winchester for the purpose of planning and fostering the development of off-street parking facilities. The City appoints all members of the Authority and is able to impose its will on the Authority. The City is financially accountable for the Authority because the City approves the Authority's budget, levies taxes (if necessary) and must approve any debt issuances.

Separate financial statements of these component units are not available.

Joint Ventures and Other Related Organizations:

Joint Ventures

The Frederick-Winchester Service Authority was created by the City and County of Frederick to provide for administration, planning and design of regional wastewater facilities for the participating jurisdictions. The City appoints a majority of the voting members of the Authority but has no equity interest in the venture. The Authority is able to meet its operating and other costs from charges for services.

The Winchester Regional Airport Authority was created by the City and the Counties of Frederick, Clarke, Warren, and Shenandoah to operate a regional airport facility as provided by Chapter 3, Title 5.136 Code of Virginia (1950), as amended. The City appoints less than a majority of Authority members and participating jurisdictions have no equity interest in the venture. The participants normally must subsidize operations and capital needs. During fiscal year 2005, the City provided total support of \$41,900.

City of Winchester, Virginia
Notes to Financial Statements
June 30, 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

A. Reporting Entity (cont'd)

The Northwestern Juvenile Detention Center Commission was created by the City of Winchester and the Counties of Clarke, Frederick, Page, Shenandoah, and Warren to provide for the operation of a regional juvenile detention center for the use of the participating jurisdictions. The City serves as fiscal agent for the Commission and appoints a majority of the voting members of the Commission, but has no equity interest in the venture. The participants normally must subsidize operations and capital needs. During fiscal year 2005, the City provided total support of \$232,268.

Separate financial statements for these joint ventures may be obtained at the entity's Administrative offices as follows:

Frederick-Winchester Service Authority
P. O. Box 43
Winchester, VA 22604

Winchester Regional Airport Authority
491 Airport Road
Winchester, VA 22602

Northwestern Juvenile Detention Center Commission
145 Fort Collier Road
Winchester, VA 22603

Other Related Organizations

The Industrial Development Authority of the City of Winchester was created by Council resolution to promote industry and trade within the City. A board of seven directors appointed by the City Council governs the Authority; however, the City's accountability does not extend beyond making the appointments.

The Handley Regional Library Board was created by the City and the Counties of Frederick and Clarke to operate a regional library as provided in Chapter 2, Title 42.1-34 and 42.1-137 Code of Virginia (1950), as amended. Although the City appoints a majority of the Board members, its accountability does not extend beyond making the appointments. The participating localities have no equity interest in the library; however, the City provided \$326,700 to the Board for operating support for fiscal year 2005.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, *the primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements, with the exception of agency fund financial statements, which have no measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

City of Winchester, Virginia
Notes to Financial Statements
June 30, 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (cont'd)

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 45 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Accordingly, real and personal property taxes are recorded as revenues and receivables when billed, net of allowances for uncollectible amounts. Property taxes not collected within 45 days after year-end are reflected as deferred revenues. Sales and utility taxes, which are collected by the state or utilities and subsequently remitted to the City, are recognized as revenues and receivables upon collection by the state or utility, which is generally in the month preceding receipt by the City.

Licenses, permits, fines and rents are recorded as revenues when received. Intergovernmental revenues, consisting primarily of federal, state and other grants for the purpose of funding specific expenditures, are recognized when earned or at the time of the specific expenditure. Revenues from general-purpose grants are recognized in the period to which the grant applies. All other revenue items are considered to be measurable and available only when the government receives cash.

Governmental Funds account for the expendable financial resources, other than those accounted for in Proprietary and Fiduciary Funds. The governmental funds use the modified accrual basis of accounting where the measurement focus is upon determination of financial position and changes in financial position, rather than on net income determination as would apply to a commercial enterprise. The City reports the following governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. The General Fund is considered a major fund for financial reporting purposes.

Special revenue funds account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes. Special revenue funds consist of the Social Service Fund, Comprehensive Services Fund, Federal and State Grants Fund, Community Development Block Grant Fund, Small Cities/Housing Fund, Highway Maintenance Fund, Emergency Communication Center Fund, Winchester-Frederick County Convention and Visitors Bureau Fund, Law Library Fund and Asset Forfeiture Fund.

Debt service fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds. Debt service funds consist of the School Bond Debt Service Fund.

Capital project funds account for financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by proprietary funds. Capital project funds consist of the Capital Improvements Fund.

Proprietary Funds account for operations that are financed in a manner similar to private business enterprises. The Proprietary Funds utilize the accrual basis of accounting where the measurement focus is upon determination of net income. Proprietary Funds consist of Enterprise and Internal Service Funds. The government reports the following proprietary funds:

Enterprise Funds account for operations where the intent of the City is that the cost of provided services to the general public be financed and recovered through user charges. Enterprise funds consist of the Water and Sewer Fund and the Bus Service Fund. The Water and Sewer Fund, which accounts for the operation of the City's water distribution system and sewage collection system, is considered a major fund for financial reporting purposes.

City of Winchester, Virginia
Notes to Financial Statements
June 30, 2005

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (cont'd)

Internal service funds account for employee fringes, equipment inventory, and risk management services provided to other departments or agencies of the government, or to other governments, on a cost reimbursement basis. Internal service funds consist of the Employee Benefits Fund, Equipment Operating Fund and City Insurance Fund.

Fiduciary Funds account for assets held by the government in a trustee capacity or as agent or custodian for individuals, private organizations, other governmental units, or other funds. These funds include Private Purpose Trust and Agency Funds. Fiduciary funds utilize the accrual basis of accounting as described in the Proprietary Funds presentation. Agency funds reported by the City include the Northern Shenandoah CSA Trust Fund, Special Welfare Fund, Northwestern Regional Jail Authority Construction Fund, and the Northwestern Regional Juvenile Detention Center Fund. These funds account for assets held by the City for social service clients, regional jail construction, and a regional juvenile detention center.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Government Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of inter-fund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water and Sewer Fund, Bus Service Fund, and internal service funds are charges to customers for sales and services. The Water and Sewer Fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting the operating definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, and then unrestricted resources as they are needed.

D. Assets, Liabilities, and Net Assets or Equity

1. *Deposits and Investments*

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the government to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements, and the State Treasurer's Investment Pool.

Investments for the government, as well as for its component units, are reported at fair value. The State Treasurer's Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

City of Winchester, Virginia
Notes to Financial Statements
June 30, 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

D. Assets, Liabilities, and Net Assets or Equity (cont'd)

2. *Receivables and Payables*

Activity between funds that are representative of lending/ borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of inter-fund loans) or "advances to/from other funds" (i.e., the non-current portion of inter-fund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

3. *Notes Receivable*

The City participates in a "Private Property Rehabilitation Program" funded under a Community Development Block Grant by the Department of Housing and Urban Development. The majority of the funding represents deferred loans payable at maturity date or on change of home ownership, whichever occurs first. The City maintains a security interest in the property. Interest rates on the loans range from non-interest bearing to eight percent.

4. *Inventories and Prepaid Items*

Inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories in the enterprise and internal service funds consist of expendable supplies held for consumption and are accounted for under the consumption method. The cost is recorded as an expense at the time the individual inventory items are used.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

5. *Property Taxes*

Real Estate and Personal Property Used in Business

Property is assessed at its value on January 1. Property taxes attach as an enforceable lien on property as of January 1. Taxes are payable in two installments on June 5 and December 5. The City bills and collects its own taxes. The City's real estate and business-related personal property taxes are levied each calendar year on all taxable property located in the City, and are accounted for in the General fund. Therefore, real estate and business-related personal property taxes that are due within the current fiscal year and collected within 45 days subsequent to year-end are recorded as revenue.

Levy Date	January 1
Lien Date	January 1
Due Date	June 5/December 5
Delinquent Date	June 6/December 6

Motor Vehicles

The City employs an innovative system providing for both proration and monthly billing/assessment for personal property taxes on motor vehicles. Property is assessed on the date which a vehicle gains situs in the City, using its value as of the immediately preceding January 1. Taxes attach as a lien on the property as of the date assessed, and are due thirty days after assessment. The City bills and collects its own taxes. These taxes are levied on each vehicle each year in the month in which the property first became taxable in the City. Vehicles already in the City at the adoption of this system were grandfathered in using the same system as for real estate, except that taxes were due in one installment on December 5. Replacement vehicles will be taxed using the new system. These taxes are accounted for in the General Fund. Accordingly, such taxes due within the current fiscal year and collected within 45 days subsequent to year-end are recorded as revenue.

Levy Date	Date on which legal situs is attained
Lien Date	Date on which legal situs is attained
Due Date	Thirty days after assessment
Delinquent Date	Thirty-one days after assessment

City of Winchester, Virginia
Notes to Financial Statements
June 30, 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

D. Assets, Liabilities, and Net Assets or Equity (cont'd)

6. Allowance for Uncollectible Accounts

The City calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$1,126,836 at June 30, 2005 and consisted of the following:

General Fund (property taxes)	\$ 1,122,165
Water and Sewer Fund	4,671
Total	<u>\$ 1,126,836</u>

7. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

8. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The City defines capital assets as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. No interest was capitalized during the current year.

Property, plant, and equipment of the primary government, as well as the component units, is depreciated using the straight line method over the following estimated useful lives:

	<u>Years</u>
Buildings	25-50
Improvements other than buildings	10-65
Infrastructure	10-65
Machinery and equipment	5-30

9. Compensated Absences

In accordance with Government Accounting Standards Board Statement 16, "Accounting for Compensated Absences", the City has accrued the liability arising from compensated absences.

City employees earn vacation at a rate of 8 to 14 hours per month, depending on years of service. Sick leave is earned at the rate of one day per month. Benefits or pay is received for unused sick leave upon termination at 25% of its carrying value to a maximum of \$5,000 per employee after five years of credited service. Accumulated vacation up to forty-two days is paid upon termination.

Employees of the Discretely Presented Component Unit School Board, who retire under the Virginia Retirement System, have been employed by the School Board for the immediately preceding ten consecutive years prior to retirement in a full-time position receive \$25 a day for any unused sick leave up to a maximum of 90 days. Twelve-month employees who earn annual leave and retire under the Virginia Retirement System, but who are not eligible to participate or choose not to participate in the Voluntary Semi-Retirement Program and have worked for Winchester Public Schools for the immediately preceding ten consecutive years prior to retirement in a full-time position, shall be paid per diem upon retirement (based on their final annual salary) for their unused annual leave up to a maximum of twenty days.

City of Winchester, Virginia
Notes to Financial Statements
June 30, 2005

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

D. Assets, Liabilities, and Net Assets or Equity (cont'd)

9. Compensated Absences (cont'd)

All vacation and sick pay currently payable is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

10. Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face value of the debt issued plus premium is reported as other financing sources. Discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

11. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

12. Net Assets

Net assets are the difference between assets and liabilities. Net assets invested in capital assets represent capital assets, less accumulated depreciation less any outstanding debt related to the acquisition, construction or improvement of those assets.

2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets

The governmental fund balance sheet includes a reconciliation between *fund balance—total governmental funds* and *net assets—governmental activities* as reported in the government-wide statements of net assets. One element of that reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of these \$57,734,957, \$602,530, and \$43,089 differences for the primary government, discretely presented component unit-school board and parking authority, respectively, are as follows:

	Primary	Component Units	
	Government	School Board	Parking Authority
Bonds payable	\$ 55,393,281	\$ -	\$ -
Less: Unamortized bond issue costs	(438,570)	-	-
Less: Deferred charge on refunding	(1,081,908)	-	-
Less: Issuance discount	(2,064)	-	-
Plus: Issuance premium	662,213	-	-
Capital leases payable	945,288	-	-
Debt payment reported as prepaid item in fund financial statements	50,150	-	-
Accrued interest payable	831,743	-	-
Compensated absences	1,374,824	602,530	43,089
Net adjustment to reduce <i>fund balance—total governmental funds</i> to arrive at <i>net assets—governmental activities</i>	\$ 57,734,957	\$ 602,530	\$ 43,089

City of Winchester, Virginia
Notes to Financial Statements
June 30, 2005

2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Cont'd)

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets (cont'd)

Another element of that reconciliation explains that "Internal service funds are used by management to charge the costs of supplies, employee benefits, and risk management to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net assets." The details of this \$1,886,033 difference in the primary government are as follows:

Net assets of the internal service funds	\$ 1,910,707
Less: Internal payable representing charges in excess of cost to business-type activities – prior years	(26,624)
Add: Internal receivable representing costs in excess of charges to business-type activities – current year	<u>1,950</u>
Net adjustments to increase <i>fund balance-total governmental funds</i> to arrive at <i>net assets-governmental activities</i>	<u>\$ 1,886,033</u>

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation states that "the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities." The details of this \$(15,668,292) difference in the primary government are as follows:

Debt issued or incurred:	
Capital lease financing	\$ (766,308)
Issuance of general obligation bonds	(28,172,590)
Plus premium	(620,625)
Principal repayments:	
General obligation debt	3,178,077
Capital lease	333,222
Payment to escrow agent for refunding	10,082,246
Bond issuance costs	<u>297,686</u>
Net adjustments to decrease <i>net changes in fund balances-total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ (15,668,292)</u>

Another element of that reconciliation states that "Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds." The details of these \$(294,484), \$(35,740), and \$1,000 differences for the primary government, discretely presented component unit-school board and parking authority, respectively, is as follows:

	Primary Government	Component Units	
		School Board	Parking Authority
Compensated absences	\$ 19,872	\$ (35,740)	\$ 1,000
Accrued interest	(198,760)	-	-
Amortization of bond issue costs	(33,999)	-	-
Amortization of issuance discount	(13,063)	-	-
Amortization of issuance premium	19,727	-	-
Amortization of deferred charge on refunding	<u>(88,261)</u>	<u>-</u>	<u>-</u>
Net adjustments to decrease <i>net changes in fund balances-total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ (294,484)</u>	<u>\$ (35,740)</u>	<u>\$ 1,000</u>

**City of Winchester, Virginia
Notes to Financial Statements
June 30, 2005**

2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Cont'd)

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities (cont'd)

Another element of that reconciliation explains that "Internal service funds are used by management to charge the costs of supplies, employee benefits, and risk management to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities." The details of this \$14,776 difference in the primary government are as follows:

Changes in net assets of the internal service funds	\$ 12,826
Add: Loss from costs in excess of charges to business-type activities	<u>1,950</u>
Net adjustments to increase <i>net changes in fund balances-total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ 14,776</u>

C. Explanation of certain differences between the proprietary fund statement of net assets and the government-wide statement of net assets

The proprietary fund statement of net assets includes a reconciliation between *net assets-total enterprise funds* and *net assets of business-type activities* as reported in the government-wide statements of net assets. The description of the sole element of that reconciliation is "Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds." The details of this \$24,674 difference are as follows:

Internal receivable representing charges in excess of costs to business-type activities – prior years	\$ 26,624
Internal receivable representing costs in excess of charges to business-type activities – current year	<u>(1,950)</u>
Net adjustment to increase <i>net assets-total enterprise funds</i> to arrive at <i>net assets-business-type activities</i>	<u>\$ 24,674</u>

3. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

The following procedures are used by the City in establishing the budgetary data reflected in the financial statements:

1. Prior to March 30 of each even-numbered year, the City Manager submits to the Common Council a proposed operating and capital budget for the two fiscal years commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution. Appropriated biennial budgets are adopted for the General, Special Revenue, and Capital Projects Funds of the primary government and component unit - school board.
4. The Appropriations Resolution is adopted at the fund, function, and department level and places legal restrictions on expenditures at the department level. The appropriation for each department can be revised only by the Council. The City Manager is authorized to transfer budgeted amounts within general government departments; however, the School Board is authorized to transfer budgeted amounts within the school system's departmental categories.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds and the Capital Projects Funds. The discretely presented component unit - school board is integrated only at the level of legal adoption.
6. All budgets are adopted on a basis substantially consistent with generally accepted accounting principles (GAAP).

City of Winchester, Virginia
Notes to Financial Statements
June 30, 2005

3. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Cont'd)

Budgetary Information (cont'd)

7. Appropriations lapse on June 30, for all City funds.
8. All budget data presented in the accompanying financial statements is the appropriated budget as of June 30, as amended. The City required 5 budget amendments during the year, representing a net increase of \$64,838,002. Included in this amount are the anticipated expenditures from bond proceeds in the amount of \$20,000,000.

4. DEPOSITS AND INVESTMENTS

Deposits

All cash of the City and its discretely presented component units is maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.2-4400 et. seq. of the Code of Virginia or covered by federal depository insurance.

Investments

The City's investments are subject to credit risk, concentration of credit risk, and interest rate risk as described below. The City's investments are not subject to custodial risk or foreign currency risk.

Credit Risk - Statutes authorize the City to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper and certain corporate notes, banker's acceptances, repurchase agreements and the State Treasurer's Local Government Investment Pool (LGIP). The City has no investment policy that would further limit its investment choices.

The City's rated debt investments as of June 30, 2005 were rated by Standard & Poor's and the ratings are presented below using the Standard & Poor's rating scale.

Investment Type	Fair Value	Fair Quality Ratings			
		AAA	AA	A	Unrated
Primary Government					
U.S. Agencies	\$ 7,901,886	\$ 7,901,886	\$ -	\$ -	\$ -
Corporate Bonds	946,957	390,708	481,631	74,618	-
Money Market Funds	157,200	-	-	-	157,200
Virginia State Non-Arbitrage Program	29,233,476	29,233,476	-	-	-
Local Government Investment Pool	6,905,070	6,905,070	-	-	-
Municipal/Public Bonds	437,256	259,188	103,966	74,102	-
	<u>\$ 45,581,845</u>	<u>\$ 44,690,328</u>	<u>\$ 585,597</u>	<u>\$ 148,720</u>	<u>\$ 157,200</u>
Component Unit – School Board					
U.S. Agencies	\$ 2,500,317	\$ 2,500,317	\$ -	\$ -	\$ -
Corporate Bonds	409,396	123,628	152,398	133,370	-
Money Market Funds	340,797	-	-	-	340,797
Virginia State Non-Arbitrage Program	12,332,911	12,332,911	-	-	-
Local Government Investment Pool	2,184,905	2,184,905	-	-	-
Municipal/Public Bonds	138,356	82,012	32,897	23,447	-
	<u>\$ 17,906,682</u>	<u>\$ 17,223,773</u>	<u>\$ 185,295</u>	<u>\$ 156,817</u>	<u>\$ 340,797</u>
Component Unit – Parking Authority					
U.S. Agencies	\$ 224,498	\$ 224,498	\$ -	\$ -	\$ -
Corporate Bonds	26,903	11,100	13,683	2,120	-
Money Market Funds	4,467	-	-	-	4,467
Local Government Investment Pool	196,177	196,177	-	-	-
Municipal/Public Bonds	12,423	7,364	2,954	2,105	-
	<u>\$ 464,468</u>	<u>\$ 439,139</u>	<u>\$ 16,637</u>	<u>\$ 4,225</u>	<u>\$ 4,467</u>
Total Fair Value	\$ 63,952,995	\$ 62,353,240	\$ 787,529	\$ 309,762	\$ 502,464

City of Winchester, Virginia
Notes to Financial Statements
June 30, 2005

4. DEPOSITS AND INVESTMENTS (Cont'd)

Concentration of Credit Risk – The City places no limit on the amount the City may invest in any one issuer. At June 30, 2005, the City's investment in the Federal Home Loan Bank was 13.53% of the City's total investments.

Interest Rate Risk – As of June 30, 2005, the City had investments with the following maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in years)</u>		
		<u>Less than 1</u>	<u>1 - 5</u>	<u>6 - 10</u>
<u>Primary Government</u>				
U.S. Agencies	\$ 7,901,886	\$ 7,901,886	\$ -	\$ -
Corporate Bonds	946,957	946,957	-	-
Money Market Funds	157,200	157,200	-	-
Virginia State Non-Arbitrage Program	29,233,476	29,233,476	-	-
Local Government Investment Pool	6,905,070	6,905,070	-	-
Municipal/Public Bonds	437,256	437,256	-	-
	<u>\$ 45,581,845</u>	<u>\$ 45,581,845</u>	<u>\$ -</u>	<u>\$ -</u>
 <u>Component Unit – School Board</u>				
U.S. Agencies	\$ 2,500,317	\$ 2,500,317	\$ -	\$ -
Corporate Bonds	409,396	319,840	89,556	-
Money Market Funds	340,797	340,797	-	-
Virginia State Non-Arbitrage Program	12,332,911	12,332,911	-	-
Local Government Investment Pool	2,184,905	2,184,905	-	-
Municipal/Public Bonds	138,356	138,356	-	-
	<u>\$ 17,906,682</u>	<u>\$ 17,817,126</u>	<u>\$ 89,556</u>	<u>\$ -</u>
 <u>Component Unit – Parking Authority</u>				
U.S. Agencies	\$ 224,498	\$ 224,498	\$ -	\$ -
Corporate Bonds	26,903	26,903	-	-
Money Market Funds	4,467	4,467	-	-
Local Government Investment Pool	196,177	196,177	-	-
Municipal/Public Bonds	12,423	12,423	-	-
	<u>\$ 464,468</u>	<u>\$ 464,468</u>	<u>\$ -</u>	<u>\$ -</u>
 Total Fair Value	<u>\$ 63,952,995</u>	<u>\$ 63,863,439</u>	<u>\$ 89,556</u>	<u>\$ -</u>

The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arriving from increasing interest rates.

5. DUE FROM OTHER GOVERNMENTS

The following amounts represent receivables from other governments at year-end:

	<u>Primary Government</u>	<u>Component Unit-School Board</u>
Commonwealth of Virginia:		
School funds	\$ -	\$ 1,135,291
State sales tax	-	257,914
Shared expenses	169,546	-
Local sales tax	1,728,388	-
Personal property tax relief	148,683	-
Welfare funds	443,665	-
Street and highway maintenance	485,698	-
Community development block grant	317,916	-
Transit grants	312,646	-
Other state funds	388,350	-
Total Due from the Commonwealth	<u>3,994,892</u>	<u>1,393,205</u>
Total Due from Other Governments	<u>\$ 3,994,892</u>	<u>\$ 1,393,205</u>

City of Winchester, Virginia
Notes to Financial Statements
June 30, 2005

6. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Inter-fund balances at June 30, 2005 consisted of the following:

Primary Government:

Due to General Fund from:	
Non-major enterprise fund - Bus Service	\$ 108,700
Non-major governmental funds	<u>458,306</u>
Total due to General Fund from other funds for cash advances	<u>\$ 567,006</u>

Component Unit School Board:

Due to School Operating Fund from:	
Federal Grants Fund for cash advance	<u>\$ 348,198</u>

Inter-fund transfers for the year ended June 30, 2005 consisted of the following:

Primary Government:

Transfers to General Fund from:	
Water and Sewer Fund	<u>\$ 1,086,698</u>

Transfers to non-major governmental funds from:	
General Fund	\$ 2,202,604
Water and Sewer Fund	<u>1,426,162</u>
Total transfers to non-major governmental funds	<u>\$ 3,628,766</u>

Transfers to non-major enterprise fund from:	
General Fund	<u>\$ 692,991</u>

Component Unit School Board:

Transfers to School Capital Improvement Fund from:	
School Operating Fund	<u>\$ 570,059</u>

Transfers to non-major governmental funds from:	
School Operating Fund	<u>\$ 605,000</u>

Transfers to internal service funds from:	
School Operating Fund – operating	<u>\$ 100,000</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies or matching funds for various grant programs.

(Notes continued on next page)

City of Winchester, Virginia
Notes to Financial Statements
June 30, 2005

7. CAPITAL ASSETS

PRIMARY GOVERNMENT

A summary of the changes in the City's capital assets for *governmental activities* is as follows:

	Balance as last reported June 30, 2004	Net Restate- ment*	Restated Balance July 1, 2004	Increases	Decreases	Balance June 30, 2005
Capital Assets, not being depreciated:						
Land	\$ 2,958,719	\$ -	\$ 2,958,719	\$ -	\$ -	\$ 2,958,719
Construction in progress	<u>1,279,686</u>	<u>157,972</u>	<u>1,437,658</u>	<u>2,050,920</u>	<u>(499,739)</u>	<u>2,988,839</u>
Total capital assets not being depreciated	<u>4,238,405</u>	<u>157,972</u>	<u>4,396,377</u>	<u>2,050,920</u>	<u>(499,739)</u>	<u>5,947,558</u>
Capital assets, being depreciated:						
Buildings	\$ 18,839,322	\$ -	\$ 18,839,322	\$ 94,113	\$ (359,073)	\$ 18,574,362
Improvements other than buildings	4,009,152	-	4,009,152	661,843	-	4,670,995
Infrastructure	28,823,145	-	28,823,145	829,947	-	29,653,092
Equipment	<u>6,279,812</u>	<u>-</u>	<u>6,279,812</u>	<u>530,656</u>	<u>(613,091)</u>	<u>6,197,377</u>
Total capital assets being depreciated	<u>57,951,431</u>	<u>-</u>	<u>57,951,431</u>	<u>2,116,559</u>	<u>(972,164)</u>	<u>59,095,826</u>
Less accumulated depreciation for:						
Buildings	\$ (5,513,384)	\$ -	\$ (5,513,384)	\$ (374,895)	\$ 326,042	\$ (5,562,237)
Improvements other than buildings	(1,912,990)	-	(1,912,990)	(182,111)	-	(2,095,101)
Infrastructure	(9,521,613)	-	(9,521,613)	(510,625)	-	(10,032,238)
Equipment	<u>(3,710,020)</u>	<u>-</u>	<u>(3,710,020)</u>	<u>(521,482)</u>	<u>561,345</u>	<u>(3,670,157)</u>
Total accumulated depreciation	<u>(20,658,007)</u>	<u>-</u>	<u>(20,658,007)</u>	<u>(1,589,113)</u>	<u>887,387</u>	<u>(21,359,733)</u>
Total capital assets being depreciated, net	<u>37,293,424</u>	<u>-</u>	<u>37,293,424</u>	<u>527,446</u>	<u>(84,777)</u>	<u>37,736,093</u>
Governmental activities capital assets, net	<u>\$41,531,829</u>	<u>\$ 157,972</u>	<u>\$ 41,689,801</u>	<u>\$ 2,578,366</u>	<u>\$ (584,516)</u>	<u>\$ 43,683,651</u>

*The gross cost balances at June 30, 2004 were restated to correct an understatement of construction in progress in the amount of \$157,972.

Depreciation expense was charged to functions/programs of the City's governmental activities as follows:

Governmental activities:	
General government	\$ 131,500
Judicial administration	107,830
Public safety	318,290
Public works	785,581
Health and welfare	10,066
Parks, recreation, and cultural	234,490
Community development	<u>1,356</u>
Total depreciation expense – governmental activities	<u>\$ 1,589,113</u>

City of Winchester, Virginia
Notes to Financial Statements
June 30, 2005

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7. CAPITAL ASSETS (Cont'd)

PRIMARY GOVERNMENT (cont'd)

A summary of the changes in the City's capital assets for *business-type activities* is as follows:

	Balance July 1, 2004	Increases	Decreases	Balance June 30, 2005
Capital Assets, not being depreciated:				
Land	\$ 1,451,070	\$ -	\$ -	\$ 1,451,070
Construction in progress	<u>1,679,342</u>	<u>2,613,266</u>	<u>-</u>	<u>4,292,608</u>
Total capital assets not being depreciated	<u>3,130,412</u>	<u>2,613,266</u>	<u>-</u>	<u>5,743,678</u>
Capital assets, being depreciated:				
Buildings	3,102,980	-	-	3,102,980
Improvements other than buildings	118,837	-	-	118,837
Infrastructure	55,251,072	2,032,725	-	57,283,797
Equipment	<u>1,774,298</u>	<u>543,727</u>	<u>(182,627)</u>	<u>2,135,398</u>
Total capital assets being depreciated	<u>60,247,187</u>	<u>2,576,452</u>	<u>(182,627)</u>	<u>62,641,012</u>
Less accumulated depreciation for:				
Buildings	(1,852,962)	(61,943)	-	(1,914,905)
Improvements other than buildings	(107,285)	(3,381)	-	(110,666)
Infrastructure	(14,156,332)	(851,884)	-	(15,008,216)
Equipment	<u>(1,128,945)</u>	<u>(145,762)</u>	<u>182,627</u>	<u>(1,092,080)</u>
Total accumulated depreciation	<u>(17,245,524)</u>	<u>(1,062,970)</u>	<u>182,627</u>	<u>(18,125,867)</u>
Total capital assets being depreciated, net	<u>43,001,663</u>	<u>1,513,482</u>	<u>-</u>	<u>44,515,145</u>
Business-type activities capital assets, net	<u>\$ 46,132,075</u>	<u>\$ 4,126,748</u>	<u>\$ -</u>	<u>\$ 50,258,823</u>

Depreciation expense was charged to functions/programs of the City's business-type activities as follows:

Business-type activities:	
Water and Sewer fund	\$ 996,379
Bus Fund	<u>66,591</u>
Total depreciation expense – business type activities	<u>\$ 1,062,970</u>

Summaries of the changes in the Discretely Presented Component Unit School Board and Parking Authority's capital assets are as follows:

COMPONENT UNIT - SCHOOL BOARD

	Balance as last reported June 30, 2005	Net Restate- ment*	Restated Balance July 1, 2004	Increases	Decreases	Balance June 30, 2005
Capital Assets, not being depreciated:						
Land	\$ 2,307,970	\$ -	\$ 2,307,970	\$ -	\$ -	\$ 2,307,970
Construction in progress	<u>4,491,340</u>	<u>-</u>	<u>4,491,340</u>	<u>19,601,434</u>	<u>-</u>	<u>24,092,774</u>
Total capital assets not being depreciated	<u>6,799,310</u>	<u>-</u>	<u>6,799,310</u>	<u>19,601,434</u>	<u>-</u>	<u>26,400,744</u>

City of Winchester, Virginia
Notes to Financial Statements
June 30, 2005

7. CAPITAL ASSETS (Cont'd)

COMPONENT UNIT - SCHOOL BOARD (cont'd)

	Balance as last reported June 30, 2005	Net Restate- ment*	Restated Balance July 1, 2004	Increases	Decreases	Balance June 30, 2005
Capital assets, being depreciated:						
Buildings	\$ 23,547,056	\$(141,720)	\$ 23,405,336	\$ 67,521	\$ -	\$ 23,472,857
Improvements other than buildings	1,729,475	141,720	1,871,195	12,500	-	1,883,695
Equipment	<u>3,448,952</u>	<u>-</u>	<u>3,448,952</u>	<u>885,824</u>	<u>(250,954)</u>	<u>4,083,822</u>
Total capital assets being depreciated	<u>28,725,483</u>	<u>-</u>	<u>28,725,483</u>	<u>965,845</u>	<u>(250,954)</u>	<u>29,440,374</u>
Less accumulated depreciation for:						
Buildings	(8,804,364)	35,052	(8,769,312)	(445,331)	-	(9,214,643)
Improvements other than buildings	(1,535,846)	(35,052)	(1,570,898)	(52,759)	-	(1,623,657)
Equipment	<u>(2,194,488)</u>	<u>-</u>	<u>(2,194,488)</u>	<u>(271,287)</u>	<u>145,515</u>	<u>(2,320,260)</u>
Total accumulated depreciation	<u>(12,534,698)</u>	<u>-</u>	<u>(12,534,698)</u>	<u>(769,377)</u>	<u>145,515</u>	<u>(13,158,560)</u>
Total capital assets being depreciated, net	<u>16,190,785</u>	<u>-</u>	<u>16,190,785</u>	<u>196,468</u>	<u>(105,439)</u>	<u>16,281,814</u>
School Board capital assets, net	<u>\$ 22,990,095</u>	<u>\$ -</u>	<u>\$ 22,990,095</u>	<u>\$ 19,797,902</u>	<u>\$ (105,439)</u>	<u>\$ 42,682,558</u>

*Improvements with a cost basis of \$141,720 and accumulated depreciation of \$35,052 were improperly classified as buildings in the prior period. Accordingly, balances at June 30, 2004 were restated to report the corrected capital asset-type classification.

COMPONENT UNIT - PARKING AUTHORITY

	Balance July 1, 2004	Increases	Decreases	Balance June 30, 2005
Capital Assets, not being depreciated:				
Land	\$ 11,685	\$ -	\$ -	\$ 11,685
Capital assets, being depreciated:				
Buildings	1,792,495	-	-	1,792,495
Improvements other than buildings	56,179	-	-	56,179
Equipment	<u>137,201</u>	<u>-</u>	<u>-</u>	<u>137,201</u>
Total capital assets being depreciated	<u>1,985,875</u>	<u>-</u>	<u>-</u>	<u>1,985,875</u>
Less accumulated depreciation for:				
Buildings	\$ (698,981)	\$ (35,804)	\$ -	\$ (734,785)
Improvements other than buildings	(51,082)	(1,591)	-	(52,673)
Equipment	<u>(87,925)</u>	<u>(8,555)</u>	<u>-</u>	<u>(96,480)</u>
Total accumulated depreciation	<u>(837,988)</u>	<u>(45,950)</u>	<u>-</u>	<u>(883,938)</u>
Total capital assets being depreciated, net	<u>1,147,887</u>	<u>(45,950)</u>	<u>-</u>	<u>1,101,937</u>
Parking Authority capital assets, net	<u>\$ 1,159,572</u>	<u>\$ (45,950)</u>	<u>\$ -</u>	<u>\$ 1,113,622</u>

Depreciation expense was charged to functions/programs of the respective Component Unit's governmental activities as follows:

Governmental activities:	
School Board - Education	<u>\$ 769,377</u>
Parking Authority - Public works	<u>\$ 45,950</u>

City of Winchester, Virginia
Notes to Financial Statements
June 30, 2005

8. NOTES RECEIVABLE

School Capital Improvement Fund

During fiscal year 2000, the School Board dissolved an agreement with the counties of Frederick and Clarke, which had established the Dowell J. Howard Vocational School. Under the terms of the joint resolution, the School Board agreed to convey all interest in property of the vocational school to Frederick County Schools for \$1,558,500. The sum of \$1,558,500 was to be paid over seven (7) years in equal semi-annual installments, without interest, of \$111,321, beginning January 31, 2000 and ending June 30, 2006. As of June 30, 2005, the remaining balance on the note receivable was \$222,643.

9. DEFERRED REVENUE

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities in the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of fiscal year 2005, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Deferred Property Tax Revenue, representing uncollected tax billings at June 30, 2005 (General Fund)	\$ 1,260,621	\$ -
Property Taxes Paid in Advance, representing property taxes not yet due, but paid by June 30, 2005 (General Fund)	-	482,370
Grants received in advance, representing advance grant funding, not yet expended at June 30, 2005 (Special Revenue Fund)	-	335,740
Total deferred revenue for governmental funds	<u>\$ 1,260,621</u>	<u>\$ 818,110</u>

10. LONG-TERM DEBT

PRIMARY GOVERNMENT

Annual requirements to amortize long-term debt and related interest are as follows:

Year Ending June 30	<u>Governmental Activities</u>				<u>Business-type Activities</u>	
	<u>General Obligation Debt</u>		<u>Capital Lease Agreements</u>		<u>General Obligation Debt</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2006	\$ 3,919,110	\$ 2,135,493	\$ 260,730	\$ 29,848	\$ 1,088,136	\$ 926,872
2007	3,910,371	1,999,108	259,212	26,243	1,126,667	877,953
2008	3,894,403	1,875,854	267,322	15,025	1,163,389	831,564
2009	3,504,235	1,743,701	158,024	5,073	1,180,319	782,591
2010	3,579,674	1,627,980	-	-	1,267,700	732,224
2011-2015	15,833,760	6,228,210	-	-	6,796,179	2,848,812
2016-2020	11,564,464	3,396,538	-	-	6,980,941	1,340,345
2021-2025	<u>9,187,264</u>	<u>1,037,809</u>	<u>-</u>	<u>-</u>	<u>2,147,736</u>	<u>175,528</u>
Total	<u>\$ 55,393,281</u>	<u>\$ 20,044,693</u>	<u>\$ 945,288</u>	<u>\$ 76,189</u>	<u>\$ 21,751,067</u>	<u>\$ 8,515,889</u>

Compensated absences are not included in the schedule reflecting annual requirements to amortize long-term obligations since it cannot be estimated when they will be paid.

City of Winchester, Virginia
Notes to Financial Statements
June 30, 2005

10. LONG-TERM DEBT (Cont'd)

PRIMARY GOVERNMENT (cont'd)

Changes in Long-Term Debt

The following is a summary of the long-term debt transactions of the City for the year ended June 30, 2005:

<u>Governmental Activities:</u>	<u>Balance July 1, 2004</u>	<u>Additions</u>	<u>Retire- ments</u>	<u>Balance June 30, 2005</u>	<u>Due within one year</u>
General Obligation Bonds	\$ 38,927,433	\$ 28,172,590	\$ 12,411,742	\$ 54,688,281	\$ 3,809,110
Unamortized Bond Premium	61,315	620,625	19,727	662,213	63,494
Unamortized Bond Discount	(15,127)	-	(13,063)	(2,064)	(1,026)
Unamortized Deferred Amount on Refunding	(421,245)	(748,924)	(88,261)	(1,081,908)	(152,134)
School Bonds	820,000	-	115,000	705,000	110,000
Capital Leases	562,352	766,308	383,372	945,288	260,730
Compensated absences	<u>1,424,152</u>	<u>121,858</u>	<u>134,658</u>	<u>1,411,352</u>	<u>135,000</u>
Total Governmental Activities	<u>\$ 41,358,880</u>	<u>\$ 28,932,457</u>	<u>\$ 12,963,175</u>	<u>\$ 57,328,162</u>	<u>\$ 4,225,174</u>
<u>Business-type Activities:</u>					
General Obligation Bonds	\$ 20,835,285	\$ 6,847,410	\$ 5,931,628	\$ 21,751,067	\$ 1,088,136
Unamortized Bond Premium	26,362	190,184	7,385	209,161	22,569
Unamortized Bond Discount	(2,043)	-	(1,882)	(161)	(80)
Unamortized Deferred Amount on Refunding	(97,414)	(603,395)	(31,828)	(668,981)	(83,729)
Compensated absences	<u>269,560</u>	<u>32,894</u>	<u>25,675</u>	<u>276,779</u>	<u>26,000</u>
Total Business-type Activities	<u>\$ 21,031,750</u>	<u>\$ 6,467,093</u>	<u>\$ 5,930,978</u>	<u>\$ 21,567,865</u>	<u>1,052,896</u>
Primary Government Totals	<u>\$ 62,390,630</u>	<u>\$ 35,399,550</u>	<u>\$ 18,894,153</u>	<u>\$ 78,896,027</u>	<u>\$ 5,278,070</u>

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. At June 30, 2005, \$36,528 of internal service funds compensated absences is included in the above amounts. Also, for the governmental activities, compensated absences are generally liquidated by the general fund.

	<u>Governmental</u>	<u>Business-type</u>
<u>Details of Long-Term Indebtedness</u>		
General Obligation Bonds:		
\$9,700,000 General Obligation Bonds, Series of 1995, issued December 1, 1995, maturing in varying installments beginning January 15, 1997 through January 15, 2015, interest payable semi-annually at rates of 4.2% to 6.0%.	447,500	37,500
\$8,275,000 General Obligation Public Improvement and Refunding Bonds, Series of 1997, issued December 30, 1997, maturing annually beginning March 1, 1998 through 2011, interest payable semi-annually at rates of 3.6% to 4.7% (net of discount).	3,007,611	235,164
\$10,000,000 General Obligation Public Improvement Bonds, Series of 1999A, issued June 16, 1999, maturing annually beginning June 1, 2000 through June 3, 2019, interest payable semi-annually at 4.86%.	3,952,174	3,952,174

City of Winchester, Virginia
Notes to Financial Statements
June 30, 2005

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10. LONG-TERM DEBT (Cont'd)

PRIMARY GOVERNMENT (cont'd)

	<u>Governmental</u>	<u>Business-type</u>
<u>Details of Long-Term Indebtedness (cont'd)</u>		
\$10,000,000 General Obligation Public Improvement Bonds, Series of 2000, issued June 28, 2000, maturing annually beginning June 1, 2001 through June 1, 2020, interest payable semi-annually at 5.43%.	619,500	1,445,500
\$10,000,000 General Obligation Public Improvement Bonds, Series of 2001, issued October 5, 2001, maturing annually beginning September 1, 2002 through September 1, 2021, interest payable semi-annually at 4.50%.	3,694,100	5,315,900
\$3,680,000 General Obligation Public Improvement Bonds, Series of 2002A, issued December 19, 2002, maturing annually beginning January 15, 2004 through January 15, 2023, interest payable semi-annually at 3.58%.	3,415,000	-
\$6,320,000 General Obligation Public Improvement Refunding Bonds, Series of 2002B, issued December 19, 2002, maturing annually beginning January 15, 2004 through January 15, 2014, interest payable semi-annually at 3.30% (net of deferred charge).	4,595,141	1,155,400
\$9,595,000 General Obligation Public Improvement Bonds, Series of 2003, issued December 18, 2003, maturing annually beginning September 1, 2004 through September 1, 2023, interest payable semi-annually at 3.79% (including premium).	6,569,531	2,824,595
\$35,020,000 General Obligation Public Improvement and Refunding Bonds, Series of 2004, issued October 21, 2004, maturing annually beginning January 15, 2005 through January 15, 2025, interest payable semi-annually at 3.7723% (including premium and net of deferred charge).	<u>27,965,965</u>	<u>6,324,853</u>
Total General Obligation Bonds	<u>54,266,522</u>	<u>21,291,086</u>
School Bonds:		
\$2,180,000 issue School Bonds dated October 1, 1990, maturing annual on July 15 through 2010, interest payable semi-annually at various rates.	<u>705,000</u>	-
Total General Obligation Debt	<u>54,971,522</u>	<u>21,291,086</u>
Capital Lease Obligations:		
\$26,794 Capital lease for financing the purchase of a color copier, entered into during fiscal year 2002, due in monthly installments of \$518, including an imputed interest rate of 6.00% per annum.	8,895	-

City of Winchester, Virginia
Notes to Financial Statements
June 30, 2005

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10. LONG-TERM DEBT (Cont'd)

PRIMARY GOVERNMENT (cont'd)

	<u>Governmental</u>	<u>Business-type</u>
<u>Details of Long-Term Indebtedness (cont'd)</u>		
\$843,424 Capital lease for financing the purchase of an energy management system, entered into during fiscal year 1998, due in semi-annual installments, including principal and interest at a rate of 5.83% per annum.	273,642	-
\$242,595 Capital lease for financing the purchase of 4 buses, entered into during fiscal year 2003, due in annual installments, including principal and interest at a rate of 3.53% per annum.	59,539	-
\$766,308 Capital lease for financing the purchase of 4 buses and technology equipment, entered into during fiscal year 2005, due in annual installments, including principal and interest at a rate of 3.21% per annum.	<u>603,212</u>	<u>-</u>
Total Capital Lease Obligations	<u>945,288</u>	<u>-</u>
Compensated Absences	\$ <u>1,411,352</u>	\$ <u>276,779</u>
Total Primary Government Long-Term Debt	\$ <u>57,328,162</u>	\$ <u>21,567,865</u>

COMPONENT UNIT SCHOOL BOARD

Changes in Long-Term Debt

The following is a summary of long-term debt transactions for the Component Unit School Board for the year ended June 30, 2005:

<u>Governmental Activities:</u>	<u>Balance July 1, 2004</u>	<u>Additions</u>	<u>Retire- ments</u>	<u>Balance June 30, 2005</u>	<u>Due within one year</u>
Compensated absences	\$ <u>566,790</u>	\$ <u>65,359</u>	\$ <u>29,619</u>	\$ <u>602,530</u>	\$ <u>30,000</u>
Component Unit School Board Totals	\$ <u>566,790</u>	\$ <u>65,359</u>	\$ <u>29,619</u>	\$ <u>602,530</u>	\$ <u>30,000</u>

<u>Details of Long-Term Indebtedness</u>	<u>Amount</u>
Compensated absences	\$ <u>602,530</u>
Total Component Unit School Board Long-Term Debt	\$ <u>602,530</u>

COMPONENT UNIT PARKING AUTHORITY

Changes in Long-Term Debt

The following is a summary of long-term debt transactions for the Component Unit Parking Authority for the year ended June 30, 2005:

<u>Governmental Activities:</u>	<u>Balance July 1, 2004</u>	<u>Additions</u>	<u>Retire- ments</u>	<u>Balance June 30, 2005</u>	<u>Due within one year</u>
Compensated absences	\$ <u>44,089</u>	\$ <u>-</u>	\$ <u>1,000</u>	\$ <u>43,089</u>	\$ <u>-</u>
Component Unit Parking Authority Totals	\$ <u>44,089</u>	\$ <u>-</u>	\$ <u>1,000</u>	\$ <u>43,089</u>	\$ <u>-</u>

City of Winchester, Virginia
Notes to Financial Statements
June 30, 2005

10. LONG-TERM DEBT (Cont'd)

COMPONENT UNIT PARKING AUTHORITY (cont'd)

<u>Details of Long-Term Indebtedness</u>	<u>Amount</u>
Compensated absences	\$ 43,089
Total Component Unit Parking Authority Long-Term Debt	<u>\$ 43,089</u>

Advance Refunding

On October 21, 2004, the City issued \$15,020,000 general obligation refunding bonds to provide resources to purchase U.S. Treasury Obligations that were placed in an irrevocable trust for the purpose of generating resources for future debt service payments of \$14,220,000 of three earlier general obligation issues. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the governmental and business-type activities columns of the statement of net assets. The reacquisition price exceeded the net carrying amount of the old debt by \$748,924. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is the same as the life of the new debt issued. This advance refunding was undertaken to reduce total debt service payments over the next fifteen years by \$889,224 and resulted in an economic gain of \$616,251.

At June 30, 2005, \$24,325,000 of bonds outstanding is considered defeased.

11. CAPITAL LEASES

The City has entered into lease agreements as lessee for financing the acquisition of various school equipment and 8 buses. The future minimum lease obligations of these leases and the net present value of these minimum lease payments as of June 30, 2005 are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2006	290,578
2007	285,455
2008	282,347
2009	<u>163,097</u>
Total minimum lease payments	1,021,477
Less: amount representing interest	<u>(76,189)</u>
Present value of minimum lease payments	<u>\$ 945,288</u>

12. CONTINGENT LIABILITIES

Federal programs in which the City participates were audited in accordance with provisions of U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Pursuant to the provisions of this document, all major programs were tested for compliance with applicable grant requirements. While no matters of noncompliance were disclosed by audit, the Federal government may subject grant programs to additional compliance tests, which may result in disallowed expenditures. In the opinion of management, any future disallowances of current grant program expenditures, if any, would be immaterial.

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City's counsel, the resolution of these matters will not have a material adverse affect on the financial condition of the government.

13. CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

In connection with the multi-purpose general obligation bonds issued in 2003, the City continued or began major renovations or construction of a public works facility, courtroom renovations, Daniel Morgan Middle School and Utility projects.

	<u>General</u>	<u>Schools</u>	<u>Utilities</u>
Estimated project costs	\$ 1,090,000	\$ 5,620,000	\$ 2,885,000
Costs incurred through 6-30-05	<u>(241,696)</u>	<u>(5,587,591)</u>	<u>(2,895,795)</u>
Estimated remaining costs	<u>\$ 848,304</u>	<u>\$ 32,409</u>	<u>\$ (10,795)</u>

**City of Winchester, Virginia
Notes to Financial Statements
June 30, 2005**

13. CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS (Cont'd)

These Series 2003 projects are expected to exceed \$9,595,000. Additional funding to continue the utilities and schools projects will be funded by Series 2005 Bonds, which are expected to be issued in November 2005.

In connection with the multi-purpose general obligation bonds issued in 2004, the City continued or began major renovations or construction of Daniel Morgan Middle School, John Handley High School, and Utility projects.

	<u>Schools</u>	<u>Utilities</u>
Estimated project costs	\$ 18,420,000	\$ 1,580,000
Costs incurred through 6-30-05	<u>(16,356,419)</u>	<u>(453,975)</u>
Estimated remaining costs	<u>\$ 2,063,581</u>	<u>\$ 1,126,025</u>

These projects are expected to exceed \$20,000,000. Additional funding to complete the schools projects will be funded by Series 2005 bonds, which are expected to be issued in November 2005.

14. DEFINED BENEFIT PENSION PLAN

Plan Description

The City of Winchester contributes to the Virginia Retirement System (VRS), an agent and cost-sharing multiple-employer defined benefit pension plan administered by the Virginia Retirement System (System). In addition, the City of Winchester School Board contributes to the VRS for both its professional and non-professional employees. All full-time, salaried permanent employees of participating employers must participate in the VRS. Benefits vest after five years of service. Employees are eligible for an unreduced retirement benefit at age 65 with 5 years of service (age 60 for participating local law enforcement officers, firefighters, and sheriffs) or at age 50 with at least 30 years of service if elected by the employer (age 50 with at least 25 years of service for participating local law enforcement officers, firefighters, and sheriffs) payable monthly for life in an amount equal to 1.7 percent of their average final compensation (AFC) for each year of credited service. Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits. In addition, retirees qualify for annual cost-of-living increases limited to 5 percent per year beginning in their second year of retirement. AFC is defined as the highest consecutive 36 months of reported compensation. Participating local law enforcement officers, firefighters, and sheriffs may receive a monthly benefit supplement if they retire prior to age 65. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of that report may be downloaded from their website at <http://www.varetire.org/Pdf/2004AnnuRept.pdf> or obtained by writing to the System at P. O. Box 2500, Richmond, VA 23218-2500.

Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5% of their annual salary to the VRS. The employer may assume this 5% member contribution. In addition, the City is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The City's contribution rate for the fiscal year ended 2005 was 7.50% of annual covered payroll. The City School Board contribution rate for the fiscal year ended 2005 was 3.00% of annual covered payroll of non-professional employees.

The City School Board's required contributions to the teacher cost-sharing pool were \$1,196,821 for fiscal year 2005, \$707,694 for fiscal year 2004 and \$686,815 for fiscal year 2003. In each year, the School Board contributed 100% of the required contributions.

Annual Pension Cost

For fiscal year 2005, the City's annual pension cost of \$1,149,801 was equal to the City's required and actual contributions. For fiscal year 2005, the City School Board's annual pension cost of \$43,984 for its non-professional employees was equal to the School Board's required and actual contributions. The required contributions were determined as part of the June 30, 2003 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 8 percent investment rate of return, (b) projected salary increases ranging from 4.00 percent to 7.00 percent per year, and (c) 3.00 percent per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 3.00 percent. The actuarial value of the City's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The City's unfunded actuarial accrued liability is being amortized as a level percentage of payroll on an open basis within a period of 30 years or less.

City of Winchester, Virginia
Notes to Financial Statements
June 30, 2005

14. DEFINED BENEFIT PENSION PLAN (Cont'd)

Three-Year Trend Information

<u>City</u>	<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
	June 30, 2003	\$ 335,584	100%	-
	June 30, 2004	367,917	100%	-
	June 30, 2005	1,149,801	100%	-
<u>City School Board (non-professional employees)</u>				
	June 30, 2003	\$ 18,078	100%	-
	June 30, 2004	19,296	100%	-
	June 30, 2005	43,984	100%	-

15. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has joined together with other cities and counties in the Virginia Local Government Risk Management Plan (VARISK2), a public entity risk pool currently operating as a common risk management and insurance program for several member cities and counties in Virginia. The City pays an annual premium to VARISK2 for its public officials general liability and public officials law enforcement liability insurance coverage. The agreement for formation of the VARISK2 provides that VARISK2 will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$1 million for each insured event.

Through the Virginia Municipal League, the City has joined together with other cities and counties in the Virginia Municipal Group Self Insurance Association (VMGSIA) and the Virginia Municipal Liability Pool (VMLP), public entity risk pools currently operating as common risk management and insurance programs for several member cities and counties in Virginia. The City pays an annual premium to VMGSIA for its workers' compensation and employer's liability insurance coverage, and to VMLP for its general liability and commercial automotive coverage. The agreements for formation of the VMGSIA and VMLP provide that they will be self-sustaining through member premiums. Workers' compensation coverage provides the benefits as set forth in the Virginia Workers' Compensation Act. VMLP will reinsure through commercial insurance companies for claims in excess of \$5 million for general liability, and \$5 million for automotive liability.

Through the Virginia School Board Association, the component unit school board has joined together with school boards of other cities and counties in the VSBA Insurance Program and School Systems of VA Group Self-Insurance Association, public entity risk pools currently operating as an insurance program and common risk management for several member city and county school boards in Virginia. The school board pays annual premiums to VSBA Insurance Program and School Systems of VA Group Self-Insurance Association for its employer liability insurance coverage and worker's compensation insurance coverage. The agreement for formation of VSBA Insurance Program and School Systems of VA Group Self-Insurance Association provides that it will be self-sustaining through member premiums. The Worker's compensation coverage provides the benefits set forth in the Virginia Workers' Compensation Act.

The City carries commercial insurance for all other risks of loss, including property, commercial crime and fidelity, and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The City and School Board Component Unit are partially self-insured for health insurance coverage for their respective employees, and account for the uninsured risks of loss within Internal Service Funds. From the Internal Service Funds, the City and School Board pay up to the annual stop loss limit of \$75,000 per person, and purchase commercial insurance for claims in excess of such limits. The City and School Board make payments to a claims service provider based on estimates of the amounts needed to pay prior-year and current-year claims in addition to the premiums for the stop loss coverage. Excess amounts accumulated in the Funds are reserved for the possibility of future catastrophic losses.

City of Winchester, Virginia
Notes to Financial Statements
June 30, 2005

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15. RISK MANAGEMENT (Cont'd)

For the City and School Board, the claim liabilities reported at June 30, 2005 of \$191,134 and \$308,561, respectively, are based on the requirements of Governmental Accounting Standards Board statement number 10 which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. The statement further requires that the portion of the claims liability expected to be paid with available financial resources be reported as a fund liability. Changes in the City and School Board claims liability amount for fiscal year 2003, 2004, and 2005 are shown below.

<u>Year Ended</u>	<u>Beginning Liability</u>	<u>Current-Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Balance at Year-end</u>
<u>Primary Government</u>				
2003	\$ 172,281	\$ 1,390,687	\$ 1,426,259	\$ 136,709
2004	136,709	1,907,356	1,866,152	177,913
2005	177,913	2,070,204	2,056,983	191,134
<u>Component Unit – School Board</u>				
2003	\$ 394,194	\$ 2,347,956	\$ 2,412,125	\$ 330,025
2004	330,025	2,779,192	2,772,643	336,574
2005	336,574	2,866,304	2,894,317	308,561

16. SURETY BONDS

	<u>Amount</u>
<u>Fidelity and Deposit Company of Maryland - Surety</u>	
Finance Director/Treasurer	\$ 500,000
Commissioner of the Revenue	3,000
Clerk of the Circuit Court	290,000
Sheriff	30,000
<u>VML Insurance Programs</u>	
All City employees (including Social Services) – blanket bond	500,000
Treasurer	50,000

17. RELATED PARTY TRANSACTIONS

During fiscal year 2005, the City paid \$95,837 to Tire Distributors, Inc. for automobile repair services. As noted in the annual statements of economic interests filed by Council members and other city administrators, one member of the City's Common Council has economic interests in this business.

18. OTHER POSTEMPLOYMENT BENEFITS

In addition to the pension benefits described in Note 14, the City provides post-retirement health care benefits for employees who are eligible for retirement benefits. As of June 30, 2005, a retiree is eligible to participate in the City's health insurance plan if the following requirements are met: a) they must meet VRS requirements for service retirement b) they must be a current participant in the City's health insurance program, and c) they must be under age 65 and not eligible for Medicare.

For fiscal year 2005, 32 retirees were both eligible and participated in this benefit. The City contributes 100% towards the cost of the lowest health care coverage policy in effect. The participants pay the remaining cost if they select a higher coverage policy. The City contributed a total of \$108,854 towards retiree health insurance for fiscal year 2005.

City of Winchester, Virginia
Notes to Financial Statements
June 30, 2005

19. PRIOR PERIOD ADJUSTMENTS

Beginning net assets as of July 1, 2004 were restated for the following prior period adjustments:

<u>Fund Financial Statements</u>	<u>General Fund</u>
Fund balance at June 30, 2004, as last reported	\$ 14,714,401
Adjustments:	
Record accrual for additional month of sales tax	<u>895,522</u>
Fund balance, restated at July 1, 2004	<u>\$ 15,609,923</u>
<u>Government-wide Financial Statements</u>	<u>Primary Government Governmental Activities</u>
Net Assets at June 30, 2004, as last reported	\$ 20,963,772
Adjustments:	
Record accrual for additional month of sales tax	895,522
Correct cost of construction in progress	<u>157,972</u>
Net Assets, restated at July 1, 2004	<u>\$ 22,017,266</u>

REQUIRED SUPPLEMENTARY INFORMATION

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF FUNDING PROGRESS FOR DEFINED BENEFIT PENSION PLAN

CITY	Exhibit 11					
	(a)	(b)	(b-a)	(a/b)	(c)	((b-a)/c)
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
June 30, 2002	40,920,444	37,270,802	(3,649,642)	109.8%	12,558,168	-29.1%
June 30, 2003	41,450,527	42,102,929	652,402	98.5%	13,685,007	4.8%
June 30, 2004	42,024,133	46,082,265	4,058,132	91.2%	14,881,505	27.3%

SCHOOL BOARD COMPONENT UNIT (NON-PROFESSIONAL)

	(a)	(b)	(b-a)	(a/b)	(c)	((b-a)/c)
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
June 30, 2002	2,536,699	2,258,014	(278,685)	112.3%	1,229,334	-22.7%
June 30, 2003	2,621,974	2,373,244	(248,730)	110.5%	1,205,627	-20.6%
June 30, 2004	2,725,754	2,621,253	(104,501)	104.0%	1,301,720	-8.0%

**COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES**

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NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Social Service Fund - to account for the provision of health and welfare services. Financing is provided by state and federal funds, which may be used only for this purpose.

Comprehensive Services Fund - to account for the provisions of special services to youth and families required by the Comprehensive Services Act. Financing is provided by state funds, which may be used only for this purpose.

Federal and State Grants Fund - to account for the proceeds of state and federal grants, and the related local match and other revenues, the expenditure of which is governed by the terms of the grants for specified purposes. Currently, those grants are specified for law enforcement and related judicial administration.

Community Development Block Grant Fund - to account for the proceeds from Private Property Rehabilitation Program deferred loans funded under a Community Development Block Grant by the Department of Housing and Urban Development.

Small Cities/Housing Fund - to account for the costs of providing housing assistance. Financing is provided by loan payments made by homeowners as well as state funding received.

Highway Maintenance Fund - to account for the proceeds of state street and highway maintenance grants, and the related expenditure which is to be used for this purpose.

Emergency Communication Center Fund - to account for E-911 tax receipts and other emergency technology grants received from the state. Financing provided by grants, as well as the E-911 tax receipts, may only be used to fund the operation of the E-911 system.

Winchester-Frederick County Convention and Visitors Bureau Fund - to account for the costs of a shared visitors bureau. Financing is provided in equal amounts by the City of Winchester and Frederick County.

Law Library Fund - to account for the purchase of reference material for the law library. Financing is provided by a portion of court fines levied. Such funds are limited to expenditures for this purpose.

Asset Forfeiture Fund - to account for the proceeds from the seizure of assets in the investigation of criminal activities, the expenditure of which is governed by federal and state law enforcement agencies.

DEBT SERVICE FUNDS

School Bond Debt Service Fund - to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related charges.

CAPITAL PROJECTS FUNDS

Capital Improvement Fund - to account for the financing and construction of capital projects of the general government. Financing is provided by general revenue and bond issues and the expenditures are for various construction projects and professional services.

**CITY OF WINCHESTER, VIRGINIA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2005**

Exhibit 12

	Special Revenue Funds	Debt Service Funds	Capital Project Funds	Total Nonmajor Governmental Funds
ASSETS				
Cash	\$ 222,932	\$ 105,239	\$ -	\$ 328,171
Investments	797,629	376,534	1,643,946	2,818,109
Receivables:				
Accounts	73,044	-	-	73,044
Interest	2,340	1,104	-	3,444
Due from other governments	<u>1,530,143</u>	<u>-</u>	<u>-</u>	<u>1,530,143</u>
Total assets	<u>\$ 2,626,088</u>	<u>\$ 482,877</u>	<u>\$ 1,643,946</u>	<u>\$ 4,752,911</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	579,440	-	282,160	861,600
Accrued payroll	186,359	-	-	186,359
Retainage payable	17,176	-	46,729	63,905
Due to other funds	94,000	-	364,306	458,306
Deferred revenue	<u>335,740</u>	<u>-</u>	<u>-</u>	<u>335,740</u>
Total liabilities	<u>1,212,715</u>	<u>-</u>	<u>693,195</u>	<u>1,905,910</u>
Fund balances (deficits):				
Reserved for:				
Housing loans	\$ 126,832	\$ -	\$ -	\$ 126,832
Unreserved:				
Designated for public safety	50,040	-	-	50,040
Undesignated	<u>1,236,501</u>	<u>482,877</u>	<u>950,751</u>	<u>2,670,129</u>
Total fund balances	<u>1,413,373</u>	<u>482,877</u>	<u>950,751</u>	<u>2,847,001</u>
Total liabilities and fund balances	<u>\$ 2,626,088</u>	<u>\$ 482,877</u>	<u>\$ 1,643,946</u>	<u>\$ 4,752,911</u>

CITY OF WINCHESTER, VIRGINIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2005

Exhibit 13

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
REVENUES				
Other local taxes	\$ 651,115	\$ -	\$ -	\$ 651,115
Revenues from use of money and property	13,956	7,838	25,054	46,848
Charges for services	25,614	-	-	25,614
Miscellaneous	258,768	-	-	258,768
Recovered costs	8,498	-	-	8,498
Intergovernmental:				
Commonwealth	4,314,979	-	-	4,314,979
Federal	2,948,553	-	-	2,948,553
Total revenues	<u>8,221,483</u>	<u>7,838</u>	<u>25,054</u>	<u>8,254,375</u>
EXPENDITURES				
Current:				
Judicial administration	148,803	-	-	148,803
Public safety	983,207	-	36,378	1,019,585
Public works	1,799,704	-	1,586,169	3,385,873
Health and welfare	6,047,625	-	-	6,047,625
Community development	946,609	-	-	946,609
Capital projects	-	-	744,593	744,593
Debt service:				
Principal	62,550	128,548	-	191,098
Interest and fiscal charges	31,494	31,774	-	63,268
Bond issue costs	1,508	2,806	-	4,314
Advance refunding escrow	2,497	4,645	-	7,142
Total expenditures	<u>10,023,997</u>	<u>167,773</u>	<u>2,367,140</u>	<u>12,558,910</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,802,514)</u>	<u>(159,935)</u>	<u>(2,342,086)</u>	<u>(4,304,535)</u>
OTHER FINANCING SOURCES (USES)				
Bonds issued	147,813	275,000	-	422,813
Premium on debt	4,569	8,500	-	13,069
Payment to refunded bond escrow agent	(150,848)	(280,647)	-	(431,495)
Transfers in	1,895,680	-	1,733,086	3,628,766
Total other financing sources (uses)	<u>1,897,214</u>	<u>2,853</u>	<u>1,733,086</u>	<u>3,633,153</u>
Net change in fund balances	94,700	(157,082)	(609,000)	(671,382)
Fund balance - beginning	<u>1,318,673</u>	<u>639,959</u>	<u>1,559,751</u>	<u>3,518,383</u>
Fund balance - ending	<u>\$ 1,413,373</u>	<u>\$ 482,877</u>	<u>\$ 950,751</u>	<u>\$ 2,847,001</u>

**CITY OF WINCHESTER, VIRGINIA
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
June 30, 2005**

	Social Service Fund	Comprehensive Services Fund	Federal and State Grants Fund	Community Development Block Grant Fund	Small Cities/Housing Fund
ASSETS					
Cash	\$ 12,004	\$ 10,245	\$ 17,849	\$ 25,604	\$ 38,605
Investments	42,949	36,655	63,860	91,610	138,125
Accounts receivable	1,050	13,351	2,253	-	-
Interest receivable	126	107	187	269	405
Due from other governments	<u>288,647</u>	<u>155,018</u>	<u>277,346</u>	<u>317,916</u>	<u>-</u>
Total assets	<u>\$ 344,776</u>	<u>\$ 215,376</u>	<u>\$ 361,495</u>	<u>\$ 435,399</u>	<u>\$ 177,135</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	81,193	182,250	71,152	185,224	15
Accrued payroll	76,564	3,854	22,526	2,103	3,455
Retainage payable	-	-	-	17,176	-
Due to other funds	77,550	16,450	-	-	-
Deferred revenue	<u>-</u>	<u>-</u>	<u>267,817</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>235,307</u>	<u>202,554</u>	<u>361,495</u>	<u>204,503</u>	<u>3,470</u>
Fund balances:					
Reserved for housing loans	\$ -	\$ -	\$ -	\$ -	\$ 126,832
Unreserved:					
Designated for public safety	-	-	-	-	-
Undesignated	<u>109,469</u>	<u>12,822</u>	<u>-</u>	<u>230,896</u>	<u>46,833</u>
Total fund balances	<u>109,469</u>	<u>12,822</u>	<u>-</u>	<u>230,896</u>	<u>173,665</u>
Total liabilities and fund balances	<u>\$ 344,776</u>	<u>\$ 215,376</u>	<u>\$ 361,495</u>	<u>\$ 435,399</u>	<u>\$ 177,135</u>

Exhibit 14

Highway Maintenance Fund	Emergency Communication Center Fund	Win-Fred Convention and Visitors Bureau Fund	Law Library Fund	Asset Forfeiture Fund	Total
\$ 8,013	\$ 61,304	\$ 18,448	\$ 5,151	\$ 25,709	\$ 222,932
28,670	219,341	66,004	18,431	91,984	797,629
-	54,562	139	1,689	-	73,044
84	644	194	54	270	2,340
<u>485,698</u>	<u>5,518</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,530,143</u>
<u>\$ 522,465</u>	<u>\$ 341,369</u>	<u>\$ 84,785</u>	<u>\$ 25,325</u>	<u>\$ 117,963</u>	<u>\$ 2,626,088</u>
34,124	3,354	20,450	1,678	-	579,440
45,442	24,157	7,983	275	-	186,359
-	-	-	-	-	17,176
-	-	-	-	-	94,000
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>67,923</u>	<u>335,740</u>
<u>79,566</u>	<u>27,511</u>	<u>28,433</u>	<u>1,953</u>	<u>67,923</u>	<u>1,212,715</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 126,832
-	-	-	-	50,040	50,040
<u>442,899</u>	<u>313,858</u>	<u>56,352</u>	<u>23,372</u>	<u>-</u>	<u>1,236,501</u>
<u>442,899</u>	<u>313,858</u>	<u>56,352</u>	<u>23,372</u>	<u>50,040</u>	<u>1,413,373</u>
<u>\$ 522,465</u>	<u>\$ 341,369</u>	<u>\$ 84,785</u>	<u>\$ 25,325</u>	<u>\$ 117,963</u>	<u>\$ 2,626,088</u>

CITY OF WINCHESTER, VIRGINIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
For the Year Ended June 30, 2005

	Social Service Fund	Comprehensive Services Fund	Federal and State Grants Fund	Community Development Block Grant Fund	Small Cities/Housing Fund
REVENUES					
Other local taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Revenues from use of money and property	-	-	858	1,313	2,320
Charges for services	-	-	-	-	-
Miscellaneous	1,075	48,376	71	18,034	9,373
Recovered costs	-	-	-	-	-
Intergovernmental:					
Commonwealth	1,114,996	1,058,187	19,955	-	73,462
Federal	1,645,209	-	815,373	487,971	-
Total revenues	<u>2,761,280</u>	<u>1,106,563</u>	<u>836,257</u>	<u>507,318</u>	<u>85,155</u>
EXPENDITURES					
Current:					
Judicial administration	-	-	127,475	-	-
Public safety	-	-	241,048	-	-
Public works	-	-	-	-	-
Health and welfare	3,371,904	2,195,217	410,505	-	69,999
Community development	-	-	87,209	487,971	-
Debt service:					
Principal	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Bond issuance costs	-	-	-	-	-
Advance refunding escrow	-	-	-	-	-
Total expenditures	<u>3,371,904</u>	<u>2,195,217</u>	<u>866,237</u>	<u>487,971</u>	<u>69,999</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(610,624)</u>	<u>(1,088,654)</u>	<u>(29,980)</u>	<u>19,347</u>	<u>15,156</u>
OTHER FINANCING SOURCES (USES)					
Bonds issued	-	-	-	-	-
Premium on debt	-	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-	-
Transfers in	599,300	1,092,400	29,980	-	-
Total other financing sources (uses)	<u>599,300</u>	<u>1,092,400</u>	<u>29,980</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(11,324)	3,746	-	19,347	15,156
Fund balance - beginning	<u>120,793</u>	<u>9,076</u>	<u>-</u>	<u>211,549</u>	<u>158,509</u>
Fund balance - ending	<u>\$ 109,469</u>	<u>\$ 12,822</u>	<u>\$ -</u>	<u>\$ 230,896</u>	<u>\$ 173,665</u>

Exhibit 15

Highway Maintenance Fund	Emergency Communication Center Fund	Win-Fred Convention and Visitors Bureau Fund	Law Library Fund	Asset Forfeiture Fund	Total
\$ -	\$ 651,115	\$ -	\$ -	\$ -	\$ 651,115
3,091	3,756	957	363	1,298	13,956
-	6,900	-	18,714	-	25,614
1,098	-	180,741	-	-	258,768
8,498	-	-	-	-	8,498
1,942,792	79,713	-	-	25,874	4,314,979
-	-	-	-	-	2,948,553
1,955,479	741,484	181,698	19,077	27,172	8,221,483
-	-	-	21,328	-	148,803
-	639,378	-	-	102,781	983,207
1,799,704	-	-	-	-	1,799,704
-	-	-	-	-	6,047,625
-	-	371,429	-	-	946,609
-	62,550	-	-	-	62,550
-	31,494	-	-	-	31,494
-	1,508	-	-	-	1,508
-	2,497	-	-	-	2,497
1,799,704	737,427	371,429	21,328	102,781	10,023,997
155,775	4,057	(189,731)	(2,251)	(75,609)	(1,802,514)
-	147,813	-	-	-	147,813
-	4,569	-	-	-	4,569
-	(150,848)	-	-	-	(150,848)
-	-	174,000	-	-	1,895,680
-	1,534	174,000	-	-	1,897,214
155,775	5,591	(15,731)	(2,251)	(75,609)	94,700
287,124	308,267	72,083	25,623	125,649	1,318,673
\$ 442,899	\$ 313,858	\$ 56,352	\$ 23,372	\$ 50,040	\$ 1,413,373

CITY OF WINCHESTER, VIRGINIA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
NONMAJOR SPECIAL REVENUE FUNDS
For the Year Ended June 30, 2005

	Social Service Fund			Variance w/ Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
REVENUES				
Other local taxes	\$ -	\$ -	\$ -	\$ -
Revenues from use of money and property	-	-	-	-
Charges for services	-	-	-	-
Miscellaneous	-	-	1,075	1,075
Intergovernmental:				
Commonwealth	1,211,100	1,211,100	1,114,996	(96,104)
Federal	1,874,600	1,874,600	1,645,209	(229,391)
Total revenues	<u>3,085,700</u>	<u>3,085,700</u>	<u>2,761,280</u>	<u>(324,420)</u>
EXPENDITURES				
Current:				
Judicial administration	-	-	-	-
Public safety	-	-	-	-
Health and welfare	3,685,000	3,685,000	3,371,904	313,096
Community development	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Bond issuance costs	-	-	-	-
Advance refunding escrow	-	-	-	-
Total expenditures	<u>3,685,000</u>	<u>3,685,000</u>	<u>3,371,904</u>	<u>313,096</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(599,300)</u>	<u>(599,300)</u>	<u>(610,624)</u>	<u>(11,324)</u>
OTHER FINANCING SOURCES (USES)				
Bonds issued	-	-	-	-
Premium on debt	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-
Transfers in	599,300	599,300	599,300	-
Transfers out	-	-	-	-
Total other financing sources and uses	<u>599,300</u>	<u>599,300</u>	<u>599,300</u>	<u>-</u>
Net change in fund balances	-	-	(11,324)	(11,324)
Fund balance (deficit) - beginning	-	-	120,793	120,793
Fund balance (deficit) - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 109,469</u>	<u>\$ 109,469</u>

	Community Development Block Grant Fund			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
REVENUES				
Revenues from use of money and property	\$ -	\$ -	\$ 1,313	\$ 1,313
Miscellaneous	-	-	18,034	18,034
Recovered costs	-	-	-	-
Intergovernmental:				
Commonwealth	-	-	-	-
Federal	303,000	1,123,500	487,971	(635,529)
Total revenues	<u>303,000</u>	<u>1,123,500</u>	<u>507,318</u>	<u>(616,182)</u>
EXPENDITURES				
Current:				
Public safety	-	-	-	-
Public works	-	-	-	-
Health and welfare	-	-	-	-
Community development	303,000	1,123,500	487,971	635,529
Total expenditures	<u>303,000</u>	<u>1,123,500</u>	<u>487,971</u>	<u>635,529</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>19,347</u>	<u>19,347</u>
OTHER FINANCING SOURCES (USES)				
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	-	-	19,347	19,347
Fund balance (deficit) - beginning	-	-	211,549	211,549
Fund balance (deficit) - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 230,896</u>	<u>\$ 230,896</u>

Exhibit 16

Comprehensive Services Fund				Federal and State Grants Fund			
Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	858	858
-	-	-	-	-	-	-	-
41,600	41,600	48,376	6,776	-	-	71	71
1,237,000	1,237,000	1,058,187	(178,813)	24,300	24,300	19,955	(4,345)
-	-	-	-	653,300	1,201,665	815,373	(386,292)
1,278,600	1,278,600	1,106,563	(172,037)	677,600	1,225,965	836,257	(389,708)
-	-	-	-	-	-	-	-
-	-	-	-	131,600	131,600	127,475	4,125
-	-	-	-	162,151	565,334	241,048	324,286
2,324,000	2,324,000	2,195,217	128,783	460,645	460,645	410,505	50,140
-	-	-	-	-	147,000	87,209	59,791
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
2,324,000	2,324,000	2,195,217	128,783	754,396	1,304,579	866,237	438,342
(1,045,400)	(1,045,400)	(1,088,654)	(43,254)	(76,796)	(78,614)	(29,980)	48,634
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
1,045,400	1,045,400	1,092,400	47,000	77,400	79,218	29,980	(49,238)
-	-	-	-	(604)	(604)	-	604
1,045,400	1,045,400	1,092,400	47,000	76,796	78,614	29,980	(48,634)
-	-	3,746	3,746	-	-	-	-
-	-	9,076	9,076	-	-	-	-
\$ -	\$ -	\$ 12,822	\$ 12,822	\$ -	\$ -	\$ -	\$ -

Small Cities/Housing Fund				Highway Maintenance Fund			
Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
\$ -	\$ -	\$ 2,320	\$ 2,320	\$ 3,500	\$ 3,500	\$ 3,091	\$ (409)
-	-	9,373	9,373	-	-	1,098	1,098
-	-	-	-	-	4,400	8,498	4,098
70,000	70,000	73,462	3,462	1,938,500	1,938,500	1,942,792	4,292
-	-	-	-	-	-	-	-
70,000	70,000	85,155	15,155	1,942,000	1,946,400	1,955,479	9,079
-	-	-	-	-	-	-	-
-	-	-	-	1,942,000	1,946,400	1,799,704	146,696
70,000	70,000	69,999	1	-	-	-	-
-	-	-	-	-	-	-	-
70,000	70,000	69,999	1	1,942,000	1,946,400	1,799,704	146,696
-	-	15,156	15,156	-	-	155,775	155,775
-	-	-	-	-	-	-	-
-	-	15,156	15,156	-	-	155,775	155,775
-	-	158,509	158,509	-	-	287,124	287,124
\$ -	\$ -	\$ 173,665	\$ 173,665	\$ -	\$ -	\$ 442,899	\$ 442,899

cont'd

CITY OF WINCHESTER, VIRGINIA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
NONMAJOR SPECIAL REVENUE FUNDS
For the Year Ended June 30, 2005

Emergency Communication Center Fund				
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Other local taxes	\$ 600,000	\$ 600,000	\$ 651,115	\$ 51,115
Revenues from use of money and property	4,000	4,000	3,756	(244)
Charges for services	16,200	16,200	6,900	(9,300)
Miscellaneous	-	-	-	-
Intergovernmental:				
Commonwealth	31,800	31,800	79,713	47,913
Federal	-	-	-	-
Total revenues	<u>652,000</u>	<u>652,000</u>	<u>741,484</u>	<u>89,484</u>
EXPENDITURES				
Current:				
Judicial administration	-	-	-	-
Public safety	723,500	715,500	639,378	76,122
Health and welfare	-	-	-	-
Community development	-	-	-	-
Debt service:				
Principal	58,900	62,550	62,550	-
Interest and fiscal charges	37,600	37,735	31,494	6,241
Bond issuance costs	-	1,508	1,508	-
Advance refunding escrow	-	-	2,497	(2,497)
Total expenditures	<u>820,000</u>	<u>817,293</u>	<u>737,427</u>	<u>79,866</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(168,000)</u>	<u>(165,293)</u>	<u>4,057</u>	<u>169,350</u>
OTHER FINANCING SOURCES (USES)				
Bonds issued	-	143,835	147,813	3,978
Premium on debt	-	4,446	4,569	123
Payment to refunded bond escrow agent	-	(150,988)	(150,848)	140
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources and uses	<u>-</u>	<u>(2,707)</u>	<u>1,534</u>	<u>4,241</u>
Net change in fund balances	<u>(168,000)</u>	<u>(168,000)</u>	<u>5,591</u>	<u>173,591</u>
Fund balance (deficit) - beginning	<u>168,000</u>	<u>168,000</u>	<u>308,267</u>	<u>140,267</u>
Fund balance (deficit) - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 313,858</u>	<u>\$ 313,858</u>

Asset Forfeiture Fund				
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Revenues from use of money and property	\$ -	\$ -	\$ 1,298	\$ 1,298
Miscellaneous	-	-	-	-
Recovered costs	-	-	-	-
Intergovernmental:				
Commonwealth	-	23,800	25,874	2,074
Federal	-	-	-	-
Total revenues	<u>-</u>	<u>23,800</u>	<u>27,172</u>	<u>3,372</u>
EXPENDITURES				
Current:				
Public safety	-	108,800	102,781	6,019
Public works	-	-	-	-
Health and welfare	-	-	-	-
Community development	-	-	-	-
Total expenditures	<u>-</u>	<u>108,800</u>	<u>102,781</u>	<u>6,019</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>(85,000)</u>	<u>(75,609)</u>	<u>9,391</u>
OTHER FINANCING SOURCES (USES)				
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>-</u>	<u>(85,000)</u>	<u>(75,609)</u>	<u>9,391</u>
Fund balance (deficit) - beginning	<u>-</u>	<u>85,000</u>	<u>125,649</u>	<u>40,649</u>
Fund balance (deficit) - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 50,040</u>	<u>\$ 50,040</u>

Exhibit 16 (Cont'd)

Win-Fred Convention and Visitors Bureau Fund				Law Library Fund			
Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	957	957	-	-	363	363
-	-	-	-	30,000	30,000	18,714	(11,286)
171,000	171,000	180,741	9,741	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
171,000	171,000	181,698	10,698	30,000	30,000	19,077	(10,923)
-	-	-	-	30,000	30,000	21,328	8,672
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
345,000	373,400	371,429	1,971	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
345,000	373,400	371,429	1,971	30,000	30,000	21,328	8,672
(174,000)	(202,400)	(189,731)	12,669	-	-	(2,251)	(2,251)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
174,000	174,000	174,000	-	-	-	-	-
-	-	-	-	-	-	-	-
174,000	174,000	174,000	-	-	-	-	-
-	(28,400)	(15,731)	12,669	-	-	(2,251)	(2,251)
-	28,400	72,083	43,683	-	-	25,623	25,623
\$ -	\$ -	\$ 56,352	\$ 56,352	\$ -	\$ -	\$ 23,372	\$ 23,372

CITY OF WINCHESTER, VIRGINIA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
DEBT SERVICE FUND
For the Year Ended June 30, 2005

Exhibit 17

	School Bonds Debt Service Fund			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
REVENUES				
Revenue from use of money and property	\$ -	\$ -	\$ 7,838	\$ 7,838
Total revenues	-	-	7,838	7,838
EXPENDITURES				
Debt service:				
Principal	121,750	128,550	128,548	2
Interest and fiscal charges	43,250	43,385	31,774	11,611
Bond issue costs	-	2,810	2,806	4
Advance refunding escrow	-	-	4,645	(4,645)
Total expenditures	165,000	174,745	167,773	6,972
Excess (deficiency) of revenues over (under) expenditures	(165,000)	(174,745)	(159,935)	14,810
OTHER FINANCING SOURCES (USES)				
Bonds issued	-	267,600	275,000	7,400
Premium on debt	-	8,300	8,500	200
Payment to refunded bond escrow agent	-	(280,655)	(280,647)	8
Total other financing sources and uses	-	(4,755)	2,853	7,608
Net change in fund balances	(165,000)	(179,500)	(157,082)	22,418
Fund balance - beginning	165,000	179,500	639,959	460,459
Fund balance - ending	\$ -	\$ -	\$ 482,877	\$ 482,877

CITY OF WINCHESTER, VIRGINIA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
CAPITAL PROJECTS FUNDS
For the Year Ended June 30, 2005

Exhibit 18

	Capital Improvements Fund			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
REVENUES				
Revenues from use of money and property	\$ -	\$ -	\$ 25,054	\$ 25,054
Recovered costs	80,000	80,000	-	(80,000)
Intergovernmental:				
Commonwealth	99,500	99,500	-	(99,500)
Federal	-	360,000	-	(360,000)
Total revenues	<u>179,500</u>	<u>539,500</u>	<u>25,054</u>	<u>(514,446)</u>
EXPENDITURES				
Current:				
General government administration	-	75,000	-	75,000
Public safety	350,000	400,000	36,378	363,622
Public works	1,315,000	4,035,000	1,586,169	2,448,831
Capital projects	<u>3,235,000</u>	<u>4,322,840</u>	<u>744,593</u>	<u>3,578,247</u>
Total expenditures	<u>4,900,000</u>	<u>8,832,840</u>	<u>2,367,140</u>	<u>6,465,700</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(4,720,500)</u>	<u>(8,293,340)</u>	<u>(2,342,086)</u>	<u>5,951,254</u>
OTHER FINANCING SOURCES (USES)				
Bonds issued	4,712,500	4,712,500	-	(4,712,500)
Transfers in	-	1,982,840	1,733,086	(249,754)
Total other financing sources and uses	<u>4,712,500</u>	<u>6,695,340</u>	<u>1,733,086</u>	<u>(4,962,254)</u>
Net change in fund balances	(8,000)	(1,598,000)	(609,000)	989,000
Fund balance - beginning	<u>8,000</u>	<u>1,598,000</u>	<u>1,559,751</u>	<u>(38,249)</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 950,751</u>	<u>\$ 950,751</u>

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INTERNAL SERVICE FUNDS

Employee Benefits Fund - to account for the receipt and payment of funds for City employee fringe benefits, including health insurance and worker's compensation. Cost reimbursement revenues paid by departments and agencies of the City, as well as participating employees, are used to provide the employee fringe benefits.

Equipment Operating Fund - to account for the purchase and use of equipment inventory, which is provided to departments and agencies of the City on a cost reimbursement basis.

City Insurance Fund – to account for the costs associated with providing risk management services to the departments and agencies of the City. Costs are accumulated and payments are received from the City on a cost reimbursement basis.

CITY OF WINCHESTER, VIRGINIA
COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
June 30, 2005

Exhibit 19

	Employee Benefits Fund	Equipment Operating Fund	City Insurance Fund	Total
ASSETS				
Current assets:				
Cash	\$ 823,519	\$ 5,979	\$ 40,923	\$ 870,421
Investments	1,587,299	21,394	146,419	1,755,112
Receivables (net of allowance for uncollectibles):				
Accounts	-	359	-	359
Interest	4,656	63	430	5,149
Inventory	-	96,698	-	96,698
Total current assets	<u>2,415,474</u>	<u>124,493</u>	<u>187,772</u>	<u>2,727,739</u>
Noncurrent assets:				
Capital assets:				
Machinery and equipment	-	89,967	-	89,967
Less accumulated depreciation	-	(85,795)	-	(85,795)
Total capital assets (net of accumulated depreciation)	<u>-</u>	<u>4,172</u>	<u>-</u>	<u>4,172</u>
Total noncurrent assets	<u>-</u>	<u>4,172</u>	<u>-</u>	<u>4,172</u>
Total assets	<u>2,415,474</u>	<u>128,665</u>	<u>187,772</u>	<u>2,731,911</u>
LIABILITIES				
Current liabilities:				
Accounts payable	729,814	36,344	4	766,162
Accrued payroll	6,243	8,988	3,283	18,514
Compensated absences	9,600	21,853	5,075	36,528
Total liabilities	<u>745,657</u>	<u>67,185</u>	<u>8,362</u>	<u>821,204</u>
NET ASSETS				
Invested in capital assets	-	4,172	-	4,172
Unrestricted	1,669,817	57,308	179,410	1,906,535
Total net assets	<u>\$ 1,669,817</u>	<u>\$ 61,480</u>	<u>\$ 179,410</u>	<u>\$ 1,910,707</u>

CITY OF WINCHESTER, VIRGINIA
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS
For the Year Ended June 30, 2005

Exhibit 20

	Employee Benefits Fund	Equipment Operating Fund	City Insurance Fund	Total
OPERATING REVENUES				
Charges for services	\$ 2,167,002	\$ 622,141	\$ 284,181	\$ 3,073,324
Miscellaneous	-	551	5,357	5,908
Total operating revenues	<u>2,167,002</u>	<u>622,692</u>	<u>289,538</u>	<u>3,079,232</u>
OPERATING EXPENSES				
Personal services	48,186	166,809	52,749	267,744
Contractual services	-	83,445	628	84,073
Other supplies and expenses	-	347,480	8,666	356,146
Insurance claims and expenses	2,056,982	-	299,316	2,356,298
Depreciation	-	4,355	-	4,355
Total operating expenses	<u>2,105,168</u>	<u>602,089</u>	<u>361,359</u>	<u>3,068,616</u>
Operating income (loss)	<u>61,834</u>	<u>20,603</u>	<u>(71,821)</u>	<u>10,616</u>
NONOPERATING REVENUES (EXPENSES)				
Investment earnings	-	-	2,210	2,210
Total nonoperating revenues (expenses)	<u>-</u>	<u>-</u>	<u>2,210</u>	<u>2,210</u>
Change in net assets	61,834	20,603	(69,611)	12,826
Total net assets - beginning	<u>1,607,983</u>	<u>40,877</u>	<u>249,021</u>	<u>1,897,881</u>
Total net assets - ending	<u>\$ 1,669,817</u>	<u>\$ 61,480</u>	<u>\$ 179,410</u>	<u>\$ 1,910,707</u>

CITY OF WINCHESTER, VIRGINIA
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Year Ended June 30, 2005

Exhibit 21

	Employee Benefits Fund	Equipment Operating Fund	City Insurance Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from internal services provided	\$ 2,163,826	\$ 623,223	\$ -	\$ 2,787,049
Cash paid to suppliers	-	(450,211)	-	(450,211)
Cash paid to employees	(32,343)	(167,045)	(55,867)	(255,255)
Premiums paid	(1,892,990)	-	(309,550)	(2,202,540)
Other receipts (payments)	-	-	289,538	289,538
Net cash provided (used) by operating activities	<u>238,493</u>	<u>5,967</u>	<u>(75,879)</u>	<u>168,581</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment income	-	-	1,986	1,986
Net cash provided by investing activities	<u>-</u>	<u>-</u>	<u>1,986</u>	<u>1,986</u>
Net increase (decrease) in cash and cash equivalents	238,493	5,967	(73,893)	170,567
Cash and cash equivalents - beginning of year	<u>2,172,325</u>	<u>21,406</u>	<u>261,235</u>	<u>2,454,966</u>
Cash and cash equivalents - end of year	<u>\$ 2,410,818</u>	<u>\$ 27,373</u>	<u>\$ 187,342</u>	<u>\$ 2,625,533</u>
Cash and cash equivalents at end of year is comprised of the following:				
Cash	\$ 823,519	\$ 5,979	\$ 40,923	\$ 870,421
Cash equivalents - Investments	<u>1,587,299</u>	<u>21,394</u>	<u>146,419</u>	<u>1,755,112</u>
Total	<u>\$ 2,410,818</u>	<u>\$ 27,373</u>	<u>\$ 187,342</u>	<u>\$ 2,625,533</u>
Reconciliation of operating income to net cash provided (used) by operating activities:				
Operating income (loss)	\$ 61,834	\$ 20,603	\$ (71,821)	\$ 10,616
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation	-	4,355	-	4,355
(Increase) decrease in accounts receivable	(3,176)	531	-	(2,645)
(Increase) decrease in inventory	-	(8,260)	-	(8,260)
Increase (decrease) in accounts payable	163,992	(11,026)	(940)	152,026
Increase (decrease) in accrued payroll	6,243	1,150	(1,976)	5,417
Increase (decrease) in accrued leave	9,600	(1,386)	(1,142)	7,072
Total adjustments	<u>176,659</u>	<u>(14,636)</u>	<u>(4,058)</u>	<u>157,965</u>
Net cash provided (used) by operating activities	<u>\$ 238,493</u>	<u>\$ 5,967</u>	<u>\$ (75,879)</u>	<u>\$ 168,581</u>

Noncash investing, capital and financing activities:

There are no noncash activities to disclose.

FIDUCIARY FUNDS**AGENCY FUNDS**

Northern Shenandoah CSA Trust Fund - to account for state and local funds, including amounts from other participating localities, for providing shared early intervention services for eligible children.

Special Welfare Fund - to account for the receipt and payment of funds collected by the City on the behalf of certain social service clients.

Northwestern Regional Jail Authority Construction Fund – to account for bond proceeds for purposes of constructing a new regional jail.

Northwestern Regional Juvenile Detention Center Fund - to account for state grants, member locality contributions and reimbursements, and other revenues for the purpose of operating a joint juvenile detention center.

CITY OF WINCHESTER, VIRGINIA
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
AGENCY FUNDS
June 30, 2005

Exhibit 22

	Northern Shenandoah CSA Trust Fund	Special Welfare Fund	Northwestern Regional Jail Authority Construction Fund	Northwestern Regional Juvenile Detention Center Fund	Total
ASSETS					
Cash	\$ 1,187	\$ 13,078	\$ -	\$ 61,703	\$ 75,968
Investments	4,248	-	26,428,784	220,770	26,653,802
Accounts receivable	-	-	-	166,078	166,078
Interest receivable	12	-	-	648	660
Due from other governments	5,747	-	-	-	5,747
Total assets	<u>\$ 11,194</u>	<u>\$ 13,078</u>	<u>\$ 26,428,784</u>	<u>\$ 449,199</u>	<u>\$ 26,902,255</u>
LIABILITIES					
Accounts payable	\$ 11,151	\$ -	\$ 8,186	\$ 22,608	\$ 41,945
Accrued payroll	-	-	-	85,315	85,315
Amounts held for social service clients	43	13,078	-	-	13,121
Amounts held for NRJA	-	-	26,420,598	-	26,420,598
Amounts held for NRJDC	-	-	-	341,276	341,276
Total liabilities	<u>\$ 11,194</u>	<u>\$ 13,078</u>	<u>\$ 26,428,784</u>	<u>\$ 449,199</u>	<u>\$ 26,902,255</u>

CITY OF WINCHESTER, VIRGINIA
COMBINING STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
For the Year Ended June 30, 2005

Exhibit 23

	Balance July 1, 2004	Additions	Deletions	Balance June 30, 2005
Northern Shenandoah CSA Trust Fund				
Assets:				
Cash	\$ 1,971	\$ 134,706	\$ 135,490	\$ 1,187
Investments	3,525	723	-	4,248
Interest receivable	4	8	-	12
Due from other governments	7,421	5,747	7,421	5,747
Total Assets	<u>\$ 12,921</u>	<u>\$ 141,184</u>	<u>\$ 142,911</u>	<u>\$ 11,194</u>
Liabilities:				
Accounts payable	\$ 12,825	\$ 11,151	\$ 12,825	\$ 11,151
Amounts held for social service clients	96	128,359	128,412	43
Total Liabilities	<u>\$ 12,921</u>	<u>\$ 139,510</u>	<u>\$ 141,237</u>	<u>\$ 11,194</u>
Special Welfare Fund				
Assets:				
Cash	\$ 5,995	\$ 91,259	\$ 84,176	\$ 13,078
Total Assets	<u>\$ 5,995</u>	<u>\$ 91,259</u>	<u>\$ 84,176</u>	<u>\$ 13,078</u>
Liabilities:				
Amounts held for social service clients	\$ 5,995	\$ 91,259	\$ 84,176	\$ 13,078
Total Liabilities	<u>\$ 5,995</u>	<u>\$ 91,259</u>	<u>\$ 84,176</u>	<u>\$ 13,078</u>
Northwestern Regional Jail Authority Construction Fund				
Assets:				
Investments	\$ -	\$ 27,123,755	\$ 694,971	\$ 26,428,784
Total Assets	<u>\$ -</u>	<u>\$ 27,123,755</u>	<u>\$ 694,971</u>	<u>\$ 26,428,784</u>
Liabilities:				
Accounts payable	\$ -	\$ 703,157	\$ 694,971	\$ 8,186
Amounts held for NRJA	-	27,123,755	703,157	26,420,598
Total Liabilities	<u>\$ -</u>	<u>\$ 27,826,912</u>	<u>\$ 1,398,128</u>	<u>\$ 26,428,784</u>
Northwestern Regional Juvenile Detention Center Fund				
Assets:				
Cash	\$ 94,866	\$ 2,001,906	\$ 2,035,069	\$ 61,703
Investments	169,653	51,117	-	220,770
Accounts receivable	172,313	166,078	172,313	166,078
Interest receivable	209	648	209	648
Total Assets	<u>\$ 437,041</u>	<u>\$ 2,219,749</u>	<u>\$ 2,207,591</u>	<u>\$ 449,199</u>
Liabilities:				
Accounts payable	\$ 19,711	\$ 22,608	\$ 19,711	\$ 22,608
Accrued payroll	76,658	85,315	76,658	85,315
Amounts held for NRJDC	340,672	2,123,380	2,122,776	341,276
Total Liabilities	<u>\$ 437,041</u>	<u>\$ 2,231,303</u>	<u>\$ 2,219,145</u>	<u>\$ 449,199</u>
Total All Agency Funds				
Assets:				
Cash	\$ 102,832	\$ 2,227,871	\$ 2,254,735	\$ 75,968
Investments	173,178	27,175,595	694,971	26,653,802
Accounts receivable	172,313	166,078	172,313	166,078
Interest receivable	213	656	209	660
Due from other governments	7,421	5,747	7,421	5,747
Total Assets	<u>\$ 455,957</u>	<u>\$ 29,575,947</u>	<u>\$ 3,129,649</u>	<u>\$ 26,902,255</u>
Liabilities:				
Accounts payable	\$ 32,536	\$ 736,916	\$ 727,507	\$ 41,945
Accrued payroll	76,658	85,315	76,658	85,315
Amounts held for social service clients	6,091	219,618	212,588	13,121
Amounts held for NRJA	-	27,123,755	703,157	26,420,598
Amounts held for NRJDC	340,672	2,123,380	2,122,776	341,276
Total Liabilities	<u>\$ 455,957</u>	<u>\$ 30,288,984</u>	<u>\$ 3,842,686</u>	<u>\$ 26,902,255</u>

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DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD

MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

School Operating Fund - to account for the operations and maintenance of the six city-owned schools. Financing is provided by state and federal funds, and by appropriations from the City's general revenues. State and federal education funds received may be used only for this purpose. Annual appropriations from general revenues were restricted by the Appropriations Resolution to education expenditures.

CAPITAL PROJECTS FUNDS

Capital Improvement Fund - School - created to account for unexpended school funds allowed by the Common Council to be carried over to future periods for school related capital projects.

School Construction Fund - to account for the financing and construction of school capital projects. Currently, financing is provided by bond proceeds. Expenditures are for the construction of school facilities.

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

School Cafeteria Fund - to account for the operation and maintenance of the cafeterias of the six City-owned schools. Financing is provided primarily from charges for services and federal and state lunch subsidies. Such funds are limited by federal and state law to expenditures for cafeteria operations and maintenance.

Federal Grants Fund - to account for the proceeds from a 21st Century Community Learning Center federal grant and other federal grants. Such funds are limited to specified educational expenditures that are governed by the terms of the grant.

School Textbook Fund - to account for the purchase and sale of school textbooks. Financing is provided primarily by the transfer of funds from the School Fund and funds so received are limited by the School Board to expenditure only for school textbooks.

INTERNAL SERVICE FUNDS

School Insurance Fund - to account for the operation of a partially self-insured employee health insurance program. Receipts from the School Board and participating employees are used to pay claims and purchase insurance for excess claims.

School Consolidated Maintenance Fund - to account for the repairs and maintenance services provided by the School Maintenance Department. Costs are accumulated and reimbursed by the School Board.

FIDUCIARY FUNDS

PRIVATE-PURPOSE TRUST FUNDS

Newton B. Shingleton, M. Louise Cooper, and School Scholarship Funds –to account for donations received for the purpose of funding scholarships.

AGENCY FUNDS

School Employee Benefits Fund - to account for funds withheld and payment of funds for payroll withholding taxes for all school employees.

CITY OF WINCHESTER, VIRGINIA
BALANCE SHEET
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
GOVERNMENTAL FUNDS
June 30, 2005

Exhibit 24

	School Operating Fund	School Capital Improvement Fund	School Construction Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash	\$ 506,380	\$ 430,455	\$ -	\$ 179,158	\$ 1,115,993
Investments	1,809,811	1,540,128	12,332,910	640,938	16,323,787
Receivables (Net of allowance for uncollectibles):					
Accounts	35,915	48,396	-	-	84,311
Interest	5,825	4,518	-	1,880	12,223
Notes	-	222,643	-	-	222,643
Due from other funds	348,198	-	-	-	348,198
Due from other governments	800,364	-	-	592,841	1,393,205
Inventories	-	-	-	26,182	26,182
Total assets	<u>\$ 3,506,493</u>	<u>\$ 2,246,140</u>	<u>\$ 12,332,910</u>	<u>\$ 1,440,999</u>	<u>\$ 19,526,542</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	494,206	395,004	2,086,599	228,059	3,203,868
Accrued payroll	3,012,287	2,319	-	259,715	3,274,321
Retainage payable	-	-	510,352	-	510,352
Due to other funds	-	-	-	348,198	348,198
Due to primary government	-	-	7,548,306	-	7,548,306
Total liabilities	<u>3,506,493</u>	<u>397,323</u>	<u>10,145,257</u>	<u>835,972</u>	<u>14,885,045</u>
Fund balances:					
Reserved for:					
Notes receivable	-	222,643	-	-	222,643
Inventories	-	-	-	26,182	26,182
Unreserved, undesignated	-	1,626,174	2,187,653	578,845	4,392,672
Total fund balances	<u>-</u>	<u>1,848,817</u>	<u>2,187,653</u>	<u>605,027</u>	<u>4,641,497</u>
Total liabilities and fund balances	<u>\$ 3,506,493</u>	<u>\$ 2,246,140</u>	<u>\$ 12,332,910</u>	<u>\$ 1,440,999</u>	

Amounts reported for governmental activities in the statement of net
assets (Exhibit 1) are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	42,594,593
Internal service funds are used by management to charge the costs of maintenance and risk management, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	1,014,486
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(602,530)
Net assets of governmental activities	<u>\$ 47,648,046</u>

CITY OF WINCHESTER, VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2005

Exhibit 25

	School Operating Fund	School Capital Improvement Fund	School Construction Fund	Other Governmental Funds	Total Governmental Funds
REVENUES					
Revenues from use of money and property	\$ 174,253	\$ 19,066	\$ 329,500	\$ 5,117	\$ 527,936
Charges for services	215,468	-	-	681,163	896,631
Miscellaneous	126,716	4,230	-	11,850	142,796
Recovered costs	18,806	48,396	-	-	67,202
Intergovernmental revenues:					
Local	22,742,058	-	18,546,986	-	41,289,044
Commonwealth	13,211,448	-	-	21,128	13,232,576
Federal	812	-	-	2,793,379	2,794,191
Total revenues	<u>36,489,561</u>	<u>71,692</u>	<u>18,876,486</u>	<u>3,512,637</u>	<u>58,950,376</u>
EXPENDITURES					
Current:					
Education	35,214,502	662,843	-	4,056,051	39,933,396
Capital projects	-	286,297	19,315,137	-	19,601,434
Total expenditures	<u>35,214,502</u>	<u>949,140</u>	<u>19,315,137</u>	<u>4,056,051</u>	<u>59,534,830</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,275,059</u>	<u>(877,448)</u>	<u>(438,651)</u>	<u>(543,414)</u>	<u>(584,454)</u>
OTHER FINANCING SOURCES (USES)					
Sale of property and equipment	-	114,187	-	-	114,187
Transfers in	-	570,059	-	605,000	1,175,059
Transfers out	(1,275,059)	-	-	-	(1,275,059)
Total other financing sources (uses)	<u>(1,275,059)</u>	<u>684,246</u>	<u>-</u>	<u>605,000</u>	<u>14,187</u>
Net change in fund balances	-	(193,202)	(438,651)	61,586	(570,267)
Fund balances - beginning	-	2,042,019	2,626,304	543,441	
Fund balances - ending	<u>\$ -</u>	<u>\$ 1,848,817</u>	<u>\$ 2,187,653</u>	<u>\$ 605,027</u>	

Amounts reported for governmental activities in the statement of activities (Exhibit 2) are different because:

Governmental funds reported capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay (20,551,943) exceeded depreciation (757,915) in the current period.	19,794,028
In the statement of activities, only the <i>gain</i> on the sale of capital assets is reported, whereas in the governmental funds, the entire proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balances by the <i>cost</i> of the property sold.	(105,439)
Internal service funds are used by management to charge the costs of maintenance and risk management, to individual funds. The net revenue (expense) of these internal service funds is reported with governmental activities.	146,819
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds.	(35,740)
Change in net assets of governmental activities	<u>\$ 19,229,401</u>

CITY OF WINCHESTER, VIRGINIA
 STATEMENT OF NET ASSETS
 DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
 PROPRIETARY FUNDS
 June 30, 2005

Exhibit 26

	Governmental Activities- Internal Service Funds
ASSETS	
Current assets:	
Cash	\$ 272,374
Investments	974,526
Receivables (net of allowance for uncollectibles:	
Accounts	2,541
Interest	2,859
Total current assets	<u>1,252,300</u>
Noncurrent assets:	
Capital assets:	
Machinery and equipment	234,578
Less accumulated depreciation	<u>(146,613)</u>
Total capital assets (net of accumulated depreciation)	<u>87,965</u>
Total noncurrent assets	<u>87,965</u>
Total assets	<u>1,340,265</u>
LIABILITIES	
Current liabilities:	
Accounts payable	<u>325,779</u>
Total liabilities	<u>325,779</u>
NET ASSETS	
Invested in capital assets	87,965
Unrestricted	<u>926,521</u>
Total net assets	<u>\$ 1,014,486</u>

CITY OF WINCHESTER, VIRGINIA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
PROPRIETARY FUNDS
For the Year Ended June 30, 2005

Exhibit 27

	Governmental Activities- Internal Service Funds
<hr/>	
OPERATING REVENUES	
Charges for services	\$ 3,780,129
Total operating revenues	<u>3,780,129</u>
OPERATING EXPENSES	
Personal services	556,586
Contractual services	193,689
Other supplies and expenses	92,157
Insurance claims and expenses	2,894,317
Depreciation	<u>11,462</u>
Total operating expenses	<u>3,748,211</u>
Operating income (loss)	<u>31,918</u>
NONOPERATING REVENUES (EXPENSES)	
Investment earnings	<u>14,901</u>
Total nonoperating revenues (expenses)	<u>14,901</u>
Income (loss) before contributions and transfers	46,819
Transfers in	<u>100,000</u>
Change in net assets	146,819
Total net assets - beginning	<u>867,667</u>
Total net assets - ending	<u>\$ 1,014,486</u>

CITY OF WINCHESTER, VIRGINIA
STATEMENT OF CASH FLOWS
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
PROPRIETARY FUNDS
For the Year Ended June 30, 2005

Exhibit 28

	Governmental Activities- Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from internal services provided	\$ 3,778,658
Cash paid to suppliers	(305,018)
Cash paid to employees	(558,125)
Premiums paid	<u>(2,955,995)</u>
Net cash used by operating activities	<u>(40,480)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfer from other funds	<u>100,000</u>
Net cash provided by noncapital financing activities	<u>100,000</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and construction of capital assets	<u>(15,336)</u>
Net cash used by capital and related financing activities	<u>(15,336)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and dividends received	<u>12,982</u>
Net cash provided by investing activities	<u>12,982</u>
Net increase in cash and cash equivalents	57,166
Cash and cash equivalents - beginning of year	<u>1,189,734</u>
Cash and cash equivalents - end of year	<u>\$ 1,246,900</u>
Cash and cash equivalents at end of year is comprised of the following:	
Cash	\$ 272,374
Cash equivalents - Investments	<u>974,526</u>
Total	<u>\$ 1,246,900</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ 31,918
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation	11,462
Change in assets and liabilities:	
Decrease (increase) in accounts receivable	(1,471)
Increase (decrease) in accounts payable	(80,850)
Increase (decrease) in accrued payroll	<u>(1,539)</u>
Total adjustments	<u>(72,398)</u>
Net cash used by operating activities	<u>\$ (40,480)</u>

Noncash investing, capital, and financing activities:

There are no noncash activities to disclose.

CITY OF WINCHESTER, VIRGINIA
 STATEMENT OF FIDUCIARY NET ASSETS
 DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
 FIDUCIARY FUNDS
 June 30, 2005

Exhibit 29

	Private- Purpose Trust Funds	Employee Benefits Agency Fund
ASSETS		
Cash	\$ 107,776	\$ 117,709
Investments	400,816	207,553
Interest receivable	-	609
Total assets	<u>508,592</u>	<u>\$ 325,871</u>
LIABILITIES		
Accounts payable	-	325,871
Total liabilities	<u>-</u>	<u>\$ 325,871</u>
NET ASSETS		
Held in trust for scholarships	<u>\$ 508,592</u>	

CITY OF WINCHESTER, VIRGINIA
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
FIDUCIARY FUNDS
For the Year Ended June 30, 2005

	Exhibit 30
	Private- Purpose Trust Funds
ADDITIONS	
Gifts and contributions	\$ 33,162
Investment earnings:	
Interest	9,036
Dividends	9,606
Net (decrease) in the fair value of investments	7,145
Total additions	<u>58,949</u>
DEDUCTIONS	
Administrative expenses	2,858
Scholarships awarded	77,294
Total deductions	<u>80,152</u>
Change in net assets	(21,203)
Net assets - beginning	<u>529,795</u>
Net assets - ending	<u>\$ 508,592</u>

CITY OF WINCHESTER, VIRGINIA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
For the Year Ended June 30, 2005

Exhibit 31

Exhibit 3.1

	School Operating Fund			
	Budgeted Amounts			Variance with Final Budget - Favorable (Unfavorable)
	Original	Final	Actual	
REVENUES				
Revenue from use of money and property	\$ 140,000	\$ 146,591	\$ 174,253	\$ 27,662
Charges for services	184,000	199,400	215,468	16,068
Miscellaneous	126,000	126,000	126,716	716
Recovered costs	-	7,400	18,806	11,406
Intergovernmental:				
Local government	22,143,200	22,742,058	22,742,058	-
Commonwealth	12,857,828	13,201,019	13,211,448	10,429
Federal	-	728	812	84
Total revenues	<u>35,451,028</u>	<u>36,423,196</u>	<u>36,489,561</u>	<u>66,365</u>
EXPENDITURES				
Current:				
Education	35,118,028	35,907,646	35,214,502	693,144
Debt service:				
Principal	<u>178,000</u>	<u>10,550</u>	<u>-</u>	<u>10,550</u>
Total expenditures	<u>35,296,028</u>	<u>35,918,196</u>	<u>35,214,502</u>	<u>703,694</u>
Excess (deficiency) of revenues over (under) expenditures	<u>155,000</u>	<u>505,000</u>	<u>1,275,059</u>	<u>770,059</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(155,000)</u>	<u>(505,000)</u>	<u>(1,275,059)</u>	<u>(770,059)</u>
Total other financing sources (uses)	<u>(155,000)</u>	<u>(505,000)</u>	<u>(1,275,059)</u>	<u>(770,059)</u>
Net change in fund balances	-	-	-	-
Fund balance - beginning	-	-	-	-
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF WINCHESTER, VIRGINIA
 COMBINING BALANCE SHEET
 DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
 NONMAJOR SPECIAL REVENUE FUNDS
 June 30, 2005

Exhibit 32

	School Cafeteria Fund	Federal Grants Fund	School Textbook Fund	Total
ASSETS				
Cash	\$ 66,802	\$ -	\$ 112,356	\$ 179,158
Investments	239,011	-	401,927	640,938
Interest receivable	701	-	1,179	1,880
Due from other governmental units	-	592,841	-	592,841
Inventory	<u>26,182</u>	<u>-</u>	<u>-</u>	<u>26,182</u>
Total assets	<u>\$ 332,696</u>	<u>\$ 592,841</u>	<u>\$ 515,462</u>	<u>\$ 1,440,999</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	495	61,613	165,951	228,059
Accrued payroll	76,685	183,030	-	259,715
Due to other funds	<u>-</u>	<u>348,198</u>	<u>-</u>	<u>348,198</u>
Total liabilities	<u>77,180</u>	<u>592,841</u>	<u>165,951</u>	<u>835,972</u>
Fund balances:				
Reserved for:				
Inventories	\$ 26,182	\$ -	\$ -	\$ 26,182
Unreserved	<u>229,334</u>	<u>-</u>	<u>349,511</u>	<u>578,845</u>
Total fund balances	<u>255,516</u>	<u>-</u>	<u>349,511</u>	<u>605,027</u>
Total liabilities and fund balances	<u>\$ 332,696</u>	<u>\$ 592,841</u>	<u>\$ 515,462</u>	<u>\$ 1,440,999</u>

CITY OF WINCHESTER, VIRGINIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
NONMAJOR SPECIAL REVENUE FUNDS
For the Year Ended June 30, 2005

Exhibit 33

	School Cafeteria Fund	Federal Grants Fund	School Textbook Fund	Total
REVENUES				
Revenues from use of money and property	\$ 2,818	\$ -	\$ 2,299	\$ 5,117
Charges for services	681,163	-	-	681,163
Miscellaneous	6,712	-	5,138	11,850
Intergovernmental revenues:				
Commonwealth	21,128	-	-	21,128
Federal	676,966	2,116,413	-	2,793,379
Total revenues	<u>1,388,787</u>	<u>2,116,413</u>	<u>7,437</u>	<u>3,512,637</u>
EXPENDITURES				
Current:				
Education	<u>1,313,814</u>	<u>2,116,413</u>	<u>625,824</u>	<u>4,056,051</u>
Total expenditures	<u>1,313,814</u>	<u>2,116,413</u>	<u>625,824</u>	<u>4,056,051</u>
Excess (deficiency) of revenues over (under) expenditures	<u>74,973</u>	<u>-</u>	<u>(618,387)</u>	<u>(543,414)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>-</u>	<u>-</u>	<u>605,000</u>	<u>605,000</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>605,000</u>	<u>605,000</u>
Net change in fund balances	74,973	-	(13,387)	61,586
Fund balances - beginning	<u>180,543</u>	<u>-</u>	<u>362,898</u>	<u>543,441</u>
Fund balances - ending	<u>\$ 255,516</u>	<u>\$ -</u>	<u>\$ 349,511</u>	<u>\$ 605,027</u>

CITY OF WINCHESTER, VIRGINIA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
NONMAJOR SPECIAL REVENUE FUNDS
For the Year Ended June 30, 2005

	School Cafeteria Fund			
	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Revenues from use of money and property	\$ 5,000	\$ 5,000	\$ 2,818	\$ (2,182)
Charges for services	712,483	712,483	681,163	(31,320)
Miscellaneous	9,000	9,000	6,712	(2,288)
Intergovernmental:				
Commonwealth	20,652	20,652	21,128	476
Federal	575,000	575,000	676,966	101,966
Total revenues	<u>1,322,135</u>	<u>1,322,135</u>	<u>1,388,787</u>	<u>66,652</u>
EXPENDITURES				
Current:				
Education	<u>1,341,053</u>	<u>1,341,053</u>	<u>1,313,814</u>	<u>27,239</u>
Total expenditures	<u>1,341,053</u>	<u>1,341,053</u>	<u>1,313,814</u>	<u>27,239</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(18,918)</u>	<u>(18,918)</u>	<u>74,973</u>	<u>93,891</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(18,918)	(18,918)	74,973	93,891
Fund balance - beginning	<u>18,918</u>	<u>18,918</u>	<u>180,543</u>	<u>161,625</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 255,516</u>	<u>\$ 255,516</u>

Exhibit 34

Federal Grants Fund				School Textbook Fund			
Budgeted Amounts			Variance with Final Budget - Positive (Negative)	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
Original	Final	Actual		Original	Final	Actual	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,299	\$ 2,299
-	-	-	-	-	-	-	-
-	-	-	-	-	-	5,138	5,138
-	-	-	-	-	-	-	-
1,917,021	2,535,891	2,116,413	(419,478)	-	-	-	-
1,917,021	2,535,891	2,116,413	(419,478)	-	-	7,437	7,437
1,917,021	2,535,891	2,116,413	419,478	405,000	867,898	625,824	242,074
1,917,021	2,535,891	2,116,413	419,478	405,000	867,898	625,824	242,074
-	-	-	-	(405,000)	(867,898)	(618,387)	249,511
-	-	-	-	155,000	505,000	605,000	100,000
-	-	-	-	155,000	505,000	605,000	100,000
-	-	-	-	(250,000)	(362,898)	(13,387)	349,511
-	-	-	-	250,000	362,898	362,898	-
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 349,511	\$ 349,511

CITY OF WINCHESTER, VIRGINIA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
CAPITAL PROJECTS FUNDS
For the Year Ended June 30, 2005

	School Capital Improvements Fund			Variance with
	Budgeted Amounts			Final Budget -
	Original	Final	Actual	Positive
				(Negative)
REVENUES				
Revenues from use of money and property	\$ 8,000	\$ 8,000	\$ 19,066	\$ 11,066
Miscellaneous	-	-	4,230	4,230
Recovered costs	-	-	48,396	48,396
Intergovernmental:				
Local government	-	-	-	-
Total revenues	<u>8,000</u>	<u>8,000</u>	<u>71,692</u>	<u>63,692</u>
EXPENDITURES				
Current:				
Education	230,643	1,223,349	662,843	560,506
Capital projects	-	589,157	286,297	302,860
Total expenditures	<u>230,643</u>	<u>1,812,506</u>	<u>949,140</u>	<u>863,366</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(222,643)</u>	<u>(1,804,506)</u>	<u>(877,448)</u>	<u>927,058</u>
OTHER FINANCING SOURCES (USES)				
Sale of property and equipment	222,643	222,643	114,187	(108,456)
Transfers in	-	-	570,059	570,059
Total other financing sources (uses)	<u>222,643</u>	<u>222,643</u>	<u>684,246</u>	<u>461,603</u>
Net change in fund balances	-	(1,581,863)	(193,202)	1,388,661
Fund balance - beginning	-	1,581,863	2,042,019	460,156
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,848,817</u>	<u>\$ 1,848,817</u>

Exhibit 35

School Construction Fund			
Budgeted Amounts			Variance with Final Budget - Positive (Negative)
Original	Final	Actual	
\$ -	\$ -	\$ 329,500	\$ 329,500
-	-	-	-
-	-	-	-
-	18,547,000	18,546,986	(14)
-	18,547,000	18,876,486	329,486
-	-	-	-
-	21,173,305	19,315,137	1,858,168
-	21,173,305	19,315,137	1,858,168
-	(2,626,305)	(438,651)	2,187,654
-	-	-	-
-	-	-	-
-	-	-	-
-	(2,626,305)	(438,651)	2,187,654
-	2,626,305	2,626,304	(1)
\$ -	\$ -	\$ 2,187,653	\$ 2,187,653

CITY OF WINCHESTER, VIRGINIA
 COMBINING STATEMENT OF NET ASSETS
 DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
 INTERNAL SERVICE FUNDS
 June 30, 2005

Exhibit 36

	School Insurance Fund	School Consolidated Maintenance Fund	Total
ASSETS			
Current assets:			
Cash	\$ 245,706	\$ 26,668	\$ 272,374
Investments	879,113	95,413	974,526
Receivables (net of allowance for uncollectibles:			
Accounts	2,291	250	2,541
Interest	2,579	280	2,859
Total current assets	<u>1,129,689</u>	<u>122,611</u>	<u>1,252,300</u>
Noncurrent assets:			
Capital assets:			
Machinery and equipment	-	234,578	234,578
Less accumulated depreciation	-	(146,613)	(146,613)
Total capital assets (net of accumulated depreciation)	<u>-</u>	<u>87,965</u>	<u>87,965</u>
Total noncurrent assets	<u>-</u>	<u>87,965</u>	<u>87,965</u>
Total assets	<u>1,129,689</u>	<u>210,576</u>	<u>1,340,265</u>
LIABILITIES			
Current liabilities:			
Accounts payable	<u>259,004</u>	<u>66,775</u>	<u>325,779</u>
Total liabilities	<u>259,004</u>	<u>66,775</u>	<u>325,779</u>
NET ASSETS			
Invested in capital assets	-	87,965	87,965
Unrestricted	<u>870,685</u>	<u>55,836</u>	<u>926,521</u>
Total net assets	<u>\$ 870,685</u>	<u>\$ 143,801</u>	<u>\$ 1,014,486</u>

CITY OF WINCHESTER, VIRGINIA
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
INTERNAL SERVICE FUNDS
For the Year Ended June 30, 2005

Exhibit 37

	School Insurance Fund	School Consolidated Maintenance Fund	Total
OPERATING REVENUES			
Charges for services	\$ 2,922,360	\$ 857,769	\$ 3,780,129
Total operating revenues	<u>2,922,360</u>	<u>857,769</u>	<u>3,780,129</u>
OPERATING EXPENSES			
Personal services	-	556,586	556,586
Contractual services	-	193,689	193,689
Other supplies and expenses	-	92,157	92,157
Insurance claims and expenses	2,894,317	-	2,894,317
Depreciation	-	11,462	11,462
Total operating expenses	<u>2,894,317</u>	<u>853,894</u>	<u>3,748,211</u>
Operating income (loss)	<u>28,043</u>	<u>3,875</u>	<u>31,918</u>
NONOPERATING REVENUES (EXPENSES)			
Investment earnings	<u>14,425</u>	<u>476</u>	<u>14,901</u>
Total nonoperating revenues (expenses)	<u>14,425</u>	<u>476</u>	<u>14,901</u>
Income (loss) before contributions and transfers	<u>42,468</u>	<u>4,351</u>	<u>46,819</u>
Transfers in	<u>100,000</u>	<u>-</u>	<u>100,000</u>
Change in net assets	142,468	4,351	146,819
Total net assets - beginning	<u>728,217</u>	<u>139,450</u>	<u>867,667</u>
Total net assets - ending	<u>\$ 870,685</u>	<u>\$ 143,801</u>	<u>\$ 1,014,486</u>

CITY OF WINCHESTER, VIRGINIA
COMBINING STATEMENT OF CASH FLOWS
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
INTERNAL SERVICE FUNDS
For the Year Ended June 30, 2005

Exhibit 38

	School Insurance Fund	School Consolidated Maintenance Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from internal services provided	\$ 2,921,107	\$ 857,551	\$ 3,778,658
Cash paid to suppliers	-	(305,018)	(305,018)
Cash paid to employees	-	(558,125)	(558,125)
Premiums paid	(2,955,995)	-	(2,955,995)
Net cash used by operating activities	(34,888)	(5,592)	(40,480)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfer from other funds	100,000	-	100,000
Net cash provided by noncapital financing activities	100,000	-	100,000
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	-	(15,336)	(15,336)
Net cash used by capital and related financing activities	-	(15,336)	(15,336)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and dividends received	12,673	309	12,982
Net cash provided by investing activities	12,673	309	12,982
Net increase (decrease) in cash and cash equivalents	77,785	(20,619)	57,166
Cash and cash equivalents - beginning of year	1,047,034	142,700	1,189,734
Cash and cash equivalents - end of year	\$ 1,124,819	\$ 122,081	\$ 1,246,900
Cash and cash equivalents at end of year is comprised of the following:			
Cash	\$ 245,706	\$ 26,668	\$ 272,374
Cash equivalents - Investments	879,113	95,413	974,526
Total	\$ 1,124,819	\$ 122,081	\$ 1,246,900
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ 28,043	\$ 3,875	\$ 31,918
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation	-	11,462	11,462
Change in assets and liabilities:			
Decrease (increase) in accounts receivable	(1,253)	(218)	(1,471)
Increase (decrease) in accounts payable	(61,678)	(19,172)	(80,850)
Increase (decrease) in accrued payroll	-	(1,539)	(1,539)
Total adjustments	(62,931)	(9,467)	(72,398)
Net cash used by operating activities	\$ (34,888)	\$ (5,592)	\$ (40,480)

Noncash investing, capital, and financing activities:

There are no noncash activities to disclose.

CITY OF WINCHESTER, VIRGINIA
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS
 DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
 PRIVATE-PURPOSE TRUST FUNDS
 June 30, 2005

Exhibit 39

	School Scholarship Fund	Newton B. Shingleton Scholarship Fund	M. Louise Cooper Scholarship Fund	Total
ASSETS				
Cash	\$ 14,698	\$ 9,162	\$ 83,916	\$ 107,776
Investments	<u>340,523</u>	<u>60,293</u>	<u>-</u>	<u>400,816</u>
Total assets	<u>\$ 355,221</u>	<u>\$ 69,455</u>	<u>\$ 83,916</u>	<u>\$ 508,592</u>
NET ASSETS				
Held in trust for scholarships	<u>\$ 355,221</u>	<u>\$ 69,455</u>	<u>\$ 83,916</u>	<u>\$ 508,592</u>

CITY OF WINCHESTER, VIRGINIA
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
 PRIVATE-PURPOSE TRUST FUNDS
 For the Year Ended June 30, 2005

Exhibit 40

	School Scholarship Fund	Newton B. Shingleton Scholarship Fund	M. Louise Cooper Scholarship Fund	Total
ADDITIONS				
Gifts and contributions	\$ 2,400	\$ -	\$ 30,762	\$ 33,162
Investment earnings:				
Interest	7,800	-	1,236	9,036
Dividends	5,965	3,641	-	9,606
Net (decrease) in fair value of investments	5,832	1,313	-	7,145
Total additions	<u>21,997</u>	<u>4,954</u>	<u>31,998</u>	<u>58,949</u>
DEDUCTIONS				
Administrative expenses	2,858	-	-	2,858
Scholarships awarded	16,643	4,665	55,986	77,294
Total deductions	<u>19,501</u>	<u>4,665</u>	<u>55,986</u>	<u>80,152</u>
Change in net assets	2,496	289	(23,988)	(21,203)
Net assets - beginning	<u>352,725</u>	<u>69,166</u>	<u>107,904</u>	<u>529,795</u>
Net assets - ending	<u>\$ 355,221</u>	<u>\$ 69,455</u>	<u>\$ 83,916</u>	<u>\$ 508,592</u>

CITY OF WINCHESTER, VIRGINIA
STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
AGENCY FUNDS
For the Year Ended June 30, 2005

Exhibit 41

	Balance July 1, 2004	Additions	Deletions	Balance June 30, 2005
Employee Benefits Fund				
Assets:				
Cash	\$ 102,893	\$ 12,254,945	\$ 12,240,129	\$ 117,709
Investments	135,627	71,926	-	207,553
Interest receivable	167	609	167	609
Total Assets	<u>\$ 238,687</u>	<u>\$ 12,327,480</u>	<u>\$ 12,240,296</u>	<u>\$ 325,871</u>
Liabilities:				
Accounts payable	\$ 238,687	\$ 12,327,480	\$ 12,240,296	\$ 325,871
Total Liabilities	<u>\$ 238,687</u>	<u>\$ 12,327,480</u>	<u>\$ 12,240,296</u>	<u>\$ 325,871</u>

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DISCRETELY PRESENTED COMPONENT UNIT - PARKING AUTHORITY**SPECIAL REVENUE FUNDS**

Parking Authority Fund - to account for the provision of parking facilities to City residents and visitors through City-owned parking lots and garages and metered on-street parking. All activities necessary to provide such services are included in the fund, including, but not limited to, administration, operations, maintenance, financing and related debt service, and billing and collection.

CITY OF WINCHESTER, VIRGINIA
BALANCE SHEET
DISCRETELY PRESENTED COMPONENT UNIT - WINCHESTER PARKING AUTHORITY
June 30, 2005

	Exhibit 42
	Parking Authority Fund
ASSETS	
Cash	\$ 130,150
Investments	464,468
Receivables (net of allowance for uncollectibles:	
Accounts	286
Interest receivable	<u>1,363</u>
Total assets	<u>\$ 596,267</u>
LIABILITIES AND FUND BALANCES	
Liabilities:	
Accounts payable	26,342
Accrued payroll	<u>17,376</u>
Total liabilities	<u>43,718</u>
Fund balances:	
Unreserved:	
Undesignated	<u>552,549</u>
Total fund balances	<u>552,549</u>
Total liabilities and fund balances	<u>\$ 596,267</u>
 Total fund balances - governmental funds - per above	 \$ 552,549
Amounts reported for governmental activities in the statement of net assets (Exhibit 1) are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	1,113,622
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(43,089)</u>
Net assets of governmental activities	<u>\$ 1,623,082</u>

CITY OF WINCHESTER, VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
DISCRETELY PRESENTED COMPONENT UNIT -
WINCHESTER PARKING AUTHORITY
For the Year Ended June 30, 2005

	Exhibit 43
	Parking Authority Fund
REVENUES	
Other local taxes	\$ 12,500
Fines & forfeitures	135,957
Revenues from use of money and property	8,487
Charges for services	436,594
Miscellaneous	298
Total revenues	<u>593,836</u>
EXPENDITURES	
Public works	<u>613,888</u>
Total expenditures	<u>613,888</u>
Excess (deficiency) of revenues over (under) expenditures	(20,052)
Fund balance - beginning	<u>572,601</u>
Fund balance - ending	<u>\$ 552,549</u>
Net change in fund balances - total governmental funds - per above	\$ (20,052)
Amounts reported for governmental activities in the statement of activities (Exhibit 2) are different because:	
Governmental funds reported capital outlays as expenditures. However, in the statement of of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation (45,950) exceeded capital outlay (-0-) in the current period.	(45,950)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds.	<u>1,000</u>
Change in net assets of governmental activities	<u>\$ (65,002)</u>

CITY OF WINCHESTER, VIRGINIA
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 DISCRETELY PRESENTED COMPONENT UNIT -
 WINCHESTER PARKING AUTHORITY
 For the Year Ended June 30, 2005

Exhibit 44

Exhibit 44

	Parking Authority Fund			Variance with Final Budget - Positive (Negative)
	Original Budget	Final Budget	Actual	
REVENUES				
Other local taxes	\$ 12,500	\$ 12,500	\$ 12,500	\$ -
Fines & forfeitures	110,000	110,000	135,957	25,957
Revenues from use of money and property	6,000	6,000	8,487	2,487
Charges for services	386,500	386,500	436,594	50,094
Miscellaneous	-	-	298	298
Total revenues	515,000	515,000	593,836	78,836
EXPENDITURES				
Public works	515,000	629,250	613,888	15,362
Total expenditures	515,000	629,250	613,888	15,362
Excess (deficiency) of revenues over (under) expenditures	-	(114,250)	(20,052)	94,198
Fund balance - beginning	-	114,250	572,601	458,351
Fund balance - ending	\$ -	\$ -	\$ 552,549	\$ 552,549

**CAPITAL ASSETS – USED IN THE OPERATION
OF GOVERNMENTAL FUNDS**

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CITY OF WINCHESTER, VIRGINIA
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION AND ACTIVITY*
June 30, 2005

Exhibit 45

Function and Activity	Total	Land	Construction in Progress	Buildings	Improvements Other than Buildings	Infrastructure	Machinery and Equipment
PRIMARY GOVERNMENT:							
General Government							
Finance and Administration	\$ 156,736	\$ -	\$ -	\$ -	\$ -	-	\$ 156,736
Information Technology	679,696	-	-	-	-	-	679,696
Other - Unclassified	903,152	10,590	-	406,147	486,415	-	-
Total General Government	<u>\$ 1,739,584</u>	<u>\$ 10,590</u>	<u>\$ -</u>	<u>\$ 406,147</u>	<u>\$ 486,415</u>	<u>\$ -</u>	<u>\$ 836,432</u>
Judicial Administration	\$ 4,589,884	\$ -	\$ -	\$ 3,870,066	\$ 499,739	\$ -	\$ 220,079
Public Safety							
Law Enforcement and							
Traffic Control	\$ 1,224,802	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,224,802
Fire and Rescue Services	702,686	-	-	-	-	-	702,686
Inspection	84,755	-	-	-	-	-	84,755
Other - Unclassified	7,630,380	1,096,484	-	6,264,967	165,200	-	103,729
Total Public Safety	<u>\$ 9,642,623</u>	<u>\$ 1,096,484</u>	<u>\$ -</u>	<u>\$ 6,264,967</u>	<u>\$ 165,200</u>	<u>\$ -</u>	<u>\$ 2,115,972</u>
Public Works							
Maintenance of Highways,							
Streets, Bridges and Sidewalks	1,399,392	\$ -	-	\$ -	\$ -	\$ -	\$ 1,399,392
Sanitation and Waste Removal	717,667	-	-	-	-	-	717,667
Maintenance of Buildings &							
Grounds	144,980	-	93,919	-	-	-	51,061
Other - Unclassified	37,391,921	63,120	2,552,411	4,906,612	204,536	29,653,092	12,150
Total Public Works	<u>\$ 39,653,960</u>	<u>\$ 63,120</u>	<u>\$ 2,646,330</u>	<u>\$ 4,906,612</u>	<u>\$ 204,536</u>	<u>\$ 29,653,092</u>	<u>\$ 2,180,270</u>
Other Departments							
Parks, Recreation and Cultural	\$ 8,703,453	\$ 1,755,255	\$ -	\$ 3,054,318	\$ 3,315,105	\$ -	\$ 578,775
Health and Welfare	262,468	33,270	-	72,252	-	-	156,946
Community Development	361,445	-	342,509	-	-	-	18,936
Total Other Departments	<u>\$ 9,327,366</u>	<u>\$ 1,788,525</u>	<u>\$ 342,509</u>	<u>\$ 3,126,570</u>	<u>\$ 3,315,105</u>	<u>\$ -</u>	<u>\$ 754,657</u>
Total Primary Government	<u>\$ 64,953,417</u>	<u>\$ 2,958,719</u>	<u>\$ 2,988,839</u>	<u>\$ 18,574,362</u>	<u>\$ 4,670,995</u>	<u>\$ 29,653,092</u>	<u>\$ 6,107,410</u>
COMPONENT UNIT SCHOOL BOARD:							
Schools:							
Education	<u>\$ 55,606,540</u>	<u>\$ 2,307,970</u>	<u>\$ 24,092,774</u>	<u>\$ 23,472,857</u>	<u>\$ 1,883,695</u>	<u>\$ -</u>	<u>\$ 3,849,244</u>
COMPONENT UNIT PARKING AUTHORITY:							
Public Works:							
Parking Authority	<u>\$ 1,997,560</u>	<u>\$ 11,685</u>	<u>\$ -</u>	<u>\$ 1,792,495</u>	<u>\$ 56,179</u>	<u>\$ -</u>	<u>\$ 137,201</u>

* This schedule presents only the capital assets balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

CITY OF WINCHESTER, VIRGINIA
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY*
For the Year Ended June 30, 2005

Exhibit 46

Function and Activity	Governmental Funds Capital Assets July 1, 2004	Net Restate- ment	Governmental Funds Capital Assets July 1, 2004 (as restated)	Additions	Deductions	Governmental Funds Capital Assets June 30, 2005
PRIMARY GOVERNMENT:						
General Government						
Finance and Administration	\$ 150,620	\$ -	\$ 150,620	\$ 12,800	\$ 6,684	\$ 156,736
Information Technology	824,070	-	824,070	14,600	158,974	679,696
Other - Unclassified	903,152	-	903,152	-	-	903,152
Judicial Administration						
Judicial Administration	4,220,935	-	4,220,935	923,266	554,317	4,589,884
Public Safety						
Law Enforcement and						
Traffic Control	1,150,795	-	1,150,795	263,758	189,751	1,224,802
Fire and Rescue Services	597,296	-	597,296	126,739	21,349	702,686
Inspection	65,756	-	65,756	27,800	8,801	84,755
Other - Unclassified	7,989,453	-	7,989,453	-	359,073	7,630,380
Public Works						
Maintenance of Highways, Streets,						
Bridges and Sidewalks	1,502,364	-	1,502,364	29,600	132,572	1,399,392
Sanitation and Waste Removal	779,359	-	779,359	-	61,692	717,667
Maintenance of Buildings and						
Grounds	51,061	-	51,061	93,919	-	144,980
Infrastructure	29,334,505	-	29,334,505	2,030,288	-	31,364,793
Other - Unclassified	5,735,503	4,345	5,739,848	287,280	-	6,027,128
Health and Welfare	230,178	-	230,178	32,290	-	262,468
Parks, Recreational and						
Cultural	8,420,388	-	8,420,388	289,974	6,909	8,703,453
Community Development	144,434	153,627	298,061	63,384	-	361,445
Total Primary Government	\$ 62,099,869	\$ 157,972	\$ 62,257,841	\$ 4,195,698	\$ 1,500,122	\$ 64,953,417
COMPONENT UNIT SCHOOL BOARD:						
Schools:						
Education	\$ 35,253,090	\$ -	\$ 35,253,090	\$ 20,551,942	\$ 198,492	\$ 55,606,540
COMPONENT UNIT PARKING AUTHORITY:						
Public Works:						
Parking Authority	\$ 1,997,560	\$ -	\$ 1,997,560	\$ -	\$ -	\$ 1,997,560

* This schedule presents only the capital assets balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

SUPPLEMENTAL DATA

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CITY OF WINCHESTER, VIRGINIA
SCHEDULE OF REVENUES - BUDGET AND ACTUAL
GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNITS
For the Year Ended June 30, 2005

Fund, Major and Minor Revenue Source	Schedule 1		
	Budgeted Amounts		Variance with
	Original	Final	Final Budget - Positive (Negative)
Primary Government:			
General Fund:			
Revenue from Local Sources:			
General Property Taxes:			
Real property taxes	\$ 12,209,500	\$ 12,209,500	\$ 13,910,677
Public services corporation taxes:			\$ 1,701,177
Real and personal	346,000	346,000	(12,109)
Personal property taxes	4,430,000	4,430,000	174,169
Mobile home taxes	1,000	1,000	1,421
Machinery and tools taxes	1,510,000	1,510,000	(68,624)
Penalties	132,000	132,000	18,192
Interest	71,000	71,000	(11,008)
Total General Property Taxes	18,699,500	18,699,500	20,502,718
Other Local Taxes:			1,803,218
Local sales and use taxes	9,700,000	10,300,000	(26,778)
Consumers' utility taxes	3,320,000	3,320,000	74,446
Business license taxes	4,805,000	4,845,000	555,295
Franchise license taxes	519,000	430,000	39,570
Motor vehicle licenses	490,000	490,000	12,303
Bank franchise taxes	570,000	570,000	17,437
Taxes on recordation and wills	196,000	196,000	289,390
Transient occupancy tax	550,000	570,000	24,456
Tobacco tax	300,000	300,000	27,470
Admissions tax	110,000	110,000	5,821
Restaurant/meal tax	4,010,000	4,210,000	228,168
Short-term rental tax	30,000	30,000	7,149
Total Other Local Taxes	24,600,000	25,371,000	1,254,727
Permits, Privilege Fees and Regulatory Licenses:			
Animal licenses	4,000	4,000	(1,084)
Other permits and fees	426,500	426,500	210,458
Total Permits, Privilege Fees, and Regulatory Licenses	430,500	430,500	209,374
Fines and Forfeitures:			
Court fines and forfeitures	180,000	180,000	94,987
Revenue from Use of Money and Property:			
Revenue from use of money	115,000	115,000	41,682
Revenue from use of property	21,000	21,000	2,336
Total Revenue from Use of Money and Property	136,000	136,000	44,018
Charges for Services:			
Sheriff's fees	3,000	3,000	(51)
Assessment fees - court	30,000	30,000	1,212
Courthouse security fees	21,000	21,000	22,395
Commonwealth attorney	2,000	2,000	1,163
Animal impounding fees	3,000	3,000	(424)
Gas inspection fees	30,000	30,000	19,500
Swimming pool fees - outdoor	71,000	71,000	13,967
Swimming pool fees - indoor	61,000	61,000	18,285
Recycle material	30,000	30,000	11,497
Charges for law enforcement and traffic control	41,000	41,000	4,669
Recreation fees	221,000	221,000	(6,178)
School age child care	172,460	172,460	37,245
Total Charges for Services	685,460	685,460	123,280
Miscellaneous Revenue:			
Miscellaneous	74,000	76,500	12,873
Donations	2,000	8,000	35,217
Total Miscellaneous Revenue	76,000	84,500	48,090

cont'd

CITY OF WINCHESTER, VIRGINIA
SCHEDULE OF REVENUES - BUDGET AND ACTUAL
GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNITS
For the Year Ended June 30, 2005

	Schedule 1 (Cont'd)			
	Budgeted Amounts		Variance with	
Fund, Major and Minor Revenue Source	Original	Final	Final Budget - Positive (Negative)	
Primary Government: (cont'd)				
General Fund: (cont'd)				
Revenue from Local Sources: (cont'd)				
Recovered Costs:				
Joint judicial center - Frederick Co.	\$ 309,000	\$ 309,000	\$ 263,414	\$ (45,586)
Other recovered costs	322,000	358,000	378,558	20,558
Total Recovered Costs	631,000	667,000	641,972	(25,028)
Total Revenue from Local Sources	45,438,460	46,253,960	49,806,626	3,552,666
Revenue from the Commonwealth:				
Non-Categorical Aid:				
ABC profits	30,000	30,000	13,826	(16,174)
Wine taxes	27,000	27,000	14,913	(12,087)
Motor vehicle carriers tax	6,000	6,000	5,961	(39)
Mobile home titling taxes	2,000	2,000	450	(1,550)
Auto rental tax	150,000	150,000	112,502	(37,498)
Grantor's tax	70,000	70,000	127,824	57,824
Personal property tax reimbursement	2,600,000	2,500,000	2,566,566	66,566
Assistance to localities with police departments	730,000	796,000	796,068	68
Recordation tax	100,000	100,000	114,102	14,102
Total Non-Categorical Aid	3,715,000	3,681,000	3,752,212	71,212
Categorical Aid:				
Shared Expenses:				
Commonwealth's attorney	348,000	348,000	380,693	32,693
Sheriff	264,000	268,500	313,040	44,540
Commissioner of the Revenue	100,000	100,000	102,429	2,429
Treasurer	100,000	100,000	105,345	5,345
Medical examiner	-	-	480	480
Registrar/electoral board	38,000	39,000	50,119	11,119
Clerk of the Circuit Court	210,000	210,000	297,170	87,170
Total Shared Expenses	1,060,000	1,065,500	1,249,276	183,776
Other Categorical Aid:				
Armory operation	5,540	5,540	8,826	3,286
Jury reimbursement	10,000	10,000	14,760	4,760
General District Court	6,000	6,000	8,347	2,347
Litter control	5,000	5,000	4,375	(625)
Fire services grant	32,000	37,000	46,448	9,448
Arts	5,000	5,000	5,000	-
Street debt service reimbursement	250,000	-	-	-
Two for life grant	10,000	20,800	11,044	(9,756)
Hazardous materials	24,000	24,000	32,149	8,149
Juvenile & Domestic relations	6,000	6,000	6,244	244
Health department	12,000	12,000	12,000	-
Miscellaneous state funds	-	-	129,143	129,143
Total Other Categorical Aid	365,540	131,340	278,336	146,996
Total Categorical Aid	1,425,540	1,196,840	1,527,612	330,772
Total Revenue from the Commonwealth	5,140,540	4,877,840	5,279,824	401,984
Revenue from the Federal Government:				
Categorical Aid:				
Emergency services	-	12,950	14,086	1,136
Ballistic vest program	-	-	6,912	6,912
Community emergency response team	-	-	9,487	9,487
DUI selective enforcement	-	-	1,590	1,590
Total Revenue from the Federal Government	-	12,950	32,075	19,125
Total General Fund	\$ 50,579,000	\$ 51,144,750	\$ 55,118,525	\$ 3,973,775

cont'd

CITY OF WINCHESTER, VIRGINIA
SCHEDULE OF REVENUES - BUDGET AND ACTUAL
GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNITS
For the Year Ended June 30, 2005

Schedule 1 (Cont'd)

Fund, Major and Minor Revenue Source	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
Primary Government: (cont'd)				
Special Revenue Funds:				
Social Service Fund:				
Revenue from Local Sources:				
Miscellaneous	\$ -	\$ -	\$ 1,075	\$ 1,075
Total Revenue from Local Sources	-	-	1,075	1,075
Revenue from the Commonwealth:				
Other Categorical Aid:				
Public assistance & welfare administration	1,211,100	1,211,100	1,114,996	(96,104)
Revenue from the Federal Government:				
Other Categorical Aid:				
Public assistance & welfare administration	1,874,600	1,874,600	1,645,209	(229,391)
Total Social Service Fund	\$ 3,085,700	\$ 3,085,700	\$ 2,761,280	\$ (324,420)
Comprehensive Services Fund:				
Revenue from Local Sources:				
Miscellaneous Revenue:				
Frederick County	30,000	30,000	32,536	2,536
Clarke County	11,600	11,600	15,840	4,240
Total Revenue from Local Sources	41,600	41,600	48,376	6,776
Revenue from the Commonwealth:				
Categorical Aid:				
CSA Grants	1,237,000	1,237,000	1,058,187	(178,813)
Total Comprehensive Services Fund	\$ 1,278,600	\$ 1,278,600	\$ 1,106,563	\$ (172,037)
Federal and State Grants Fund:				
Revenue from Local Sources:				
Revenue from Use of Money and Property:				
Revenue from use of money	\$ -	\$ -	\$ 858	\$ 858
Miscellaneous	-	-	71	71
Total Revenue from Local Sources	-	-	929	929
Revenue from the Commonwealth:				
Categorical Aid:				
Victim/Witness	22,300	22,300	19,955	(2,345)
Highway safety grant	2,000	2,000	-	(2,000)
Total Revenue from the Commonwealth	24,300	24,300	19,955	(4,345)
Revenue from the Federal Government:				
Categorical Aid:				
Dedicated officer offender review	36,400	36,400	38,869	2,469
Police mini-grants	15,000	15,000	16,132	1,132
Law enforcement block grant	21,600	21,600	4,789	(16,811)
V-Stop grant	22,100	22,100	22,669	569
COPS - More	24,355	24,355	27,506	3,151
Firefighter & Rescue Equipment grant	-	329,937	44,690	(285,247)
Victim/Witness	73,200	73,200	74,619	1,419
Workforce Investment Act grant	460,645	460,645	410,507	(50,138)
Homeland Security	-	-	12,000	12,000
NVRDTF Grant	-	71,428	67,396	(4,032)
EPA Brownfield's	-	147,000	87,207	(59,793)
Other federal grants	-	-	8,989	8,989
Total Revenue from the Federal Government	653,300	1,201,665	815,373	(386,292)
Total Federal and State Grants Fund	\$ 677,600	\$ 1,225,965	\$ 836,257	\$ (389,708)

cont'd

CITY OF WINCHESTER, VIRGINIA
SCHEDULE OF REVENUES - BUDGET AND ACTUAL
GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNITS
For the Year Ended June 30, 2005

Schedule 1 (Cont'd)

Fund, Major and Minor Revenue Source	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
Primary Gov't: (cont'd)				
Special Revenue Funds: (cont'd)				
Community Development Block Grant Fund:				
Revenue from Local Sources:				
Revenue from Use of Money and Property:				
Revenue from use of money	\$ -	\$ -	\$ 1,313	\$ 1,313
Miscellaneous Revenue:				
CDBG loan repayments	-	-	18,034	18,034
Total Revenue from Local Sources	-	-	19,347	19,347
Revenue from the Federal Government:				
Other Categorical Aid:				
Community Development Block Grant	303,000	1,123,500	487,971	(635,529)
Total Community Development Block Grant Fund	\$ 303,000	\$ 1,123,500	\$ 507,318	\$ (616,182)
Small Cities/Housing Fund:				
Revenue from Local Sources:				
Revenue from Use of Money and Property:				
Revenue from use of money	-	-	2,320	2,320
Miscellaneous Revenue:				
CDBG loan repayments	-	-	9,373	9,373
Total Revenue from Local Sources	-	-	11,693	11,693
Revenue from the Commonwealth:				
Other Categorical Aid:				
Virginia Housing Development Authority	70,000	70,000	73,462	3,462
Total Small Cities/Housing Fund	\$ 70,000	\$ 70,000	\$ 85,155	\$ 15,155
Highway Maintenance Fund:				
Revenue from Local Sources:				
Revenue from Use of Money and Property:				
Revenue from use of money	3,500	3,500	3,091	(409)
Miscellaneous	-	-	1,098	1,098
Recovered Costs	-	4,400	8,498	4,098
Total Revenue from Local Sources	3,500	7,900	12,687	4,787
Revenue from the Commonwealth:				
Other Categorical Aid:				
Street and highway maintenance	1,938,500	1,938,500	1,942,792	4,292
Total Highway Maintenance Fund	\$ 1,942,000	\$ 1,946,400	\$ 1,955,479	\$ 9,079
Emergency Communication Center Fund:				
Revenue from Local Sources:				
Other Local Taxes:				
E-911 tax	600,000	600,000	651,115	51,115
Revenue from Use of Money and Property:				
Revenue from use of money	4,000	4,000	3,756	(244)
Charges for Services:				
Alarm fees	16,200	16,200	6,900	(9,300)
Total Revenue from Local Sources	620,200	620,200	661,771	41,571
Revenue from the Commonwealth:				
Other Categorical Aid:				
E-911 Technology grant	31,800	31,800	79,713	47,913
Total Emergency Communication Center Fund	\$ 652,000	\$ 652,000	\$ 741,484	\$ 89,484

cont'd

CITY OF WINCHESTER, VIRGINIA
SCHEDULE OF REVENUES - BUDGET AND ACTUAL
GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNITS
For the Year Ended June 30, 2005

Fund, Major and Minor Revenue Source	Budgeted Amounts		Actual	Schedule 1 (Cont'd)
	Original	Final		Variance with Final Budget - Positive (Negative)
Primary Gov't: (cont'd)				
Special Revenue Funds: (cont'd)				
Winchester-Frederick County Convention Center and Visitors Bureau Fund:				
Revenue from Local Sources:				
Revenue from Use of Money and Property:				
Revenue from use of money	\$ -	\$ -	\$ 957	\$ 957
Miscellaneous Revenue:				
Frederick County	140,500	140,500	140,500	-
Miscellaneous	30,500	30,500	40,241	9,741
Total Miscellaneous Revenue	171,000	171,000	180,741	9,741
Total Winchester-Frederick County Convention Center and Visitors Bureau Fund	\$ 171,000	\$ 171,000	\$ 181,698	\$ 10,698
Law Library Fund:				
Revenue from Local Sources:				
Revenue from Use of Money and Property:				
Revenue from use of money	-	-	363	363
Charges for Services:				
Special assessment	30,000	30,000	18,714	(11,286)
Total Law Library Fund	\$ 30,000	\$ 30,000	\$ 19,077	\$ (10,923)
Asset Forfeiture Fund:				
Revenue from Local Sources:				
Revenue from Use of Money and Property:				
Revenue from use of money	-	-	1,298	1,298
Revenue from the Commonwealth:				
Categorical Aid:				
Asset Forfeiture Funds	-	23,800	25,874	2,074
Total Asset Forfeiture Fund	\$ -	\$ 23,800	\$ 27,172	\$ 3,372
Total Special Revenue Funds	\$ 8,209,900	\$ 9,606,965	\$ 8,221,483	\$ (1,385,482)
Capital Projects Funds:				
Capital Improvements Fund:				
Revenue from Local Sources:				
Revenue from Use of Money and Property:				
Revenue from use of money	-	-	25,054	25,054
Recovered Costs	80,000	80,000	-	(80,000)
Total Revenue from Local Sources	80,000	80,000	25,054	(54,946)
Revenue from the Commonwealth:				
Categorical Aid:				
Street and highway maintenance	99,500	99,500	-	(99,500)
Total Revenue from the Commonwealth	99,500	99,500	-	(99,500)
Revenue from the Federal Government:				
Categorical Aid:				
B&O rail station rehab	-	360,000	-	(360,000)
Total Capital Improvements Fund	\$ 179,500	\$ 539,500	\$ 25,054	\$ (514,446)
Total Capital Projects Funds	\$ 179,500	\$ 539,500	\$ 25,054	\$ (514,446)
Debt Service Funds:				
School Bond Debt Service Fund:				
Revenue from Local Sources:				
Revenue from Use of Money and Property:				
Revenue from use of money	-	-	7,838	7,838
Total School Bond Debt Service Fund	\$ -	\$ -	\$ 7,838	\$ 7,838
Total Debt Service Funds	\$ -	\$ -	\$ 7,838	\$ 7,838
Grand Total - Revenues - All Governmental Funds	\$ 58,968,400	\$ 61,291,215	\$ 63,372,900	\$ 2,081,685

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CITY OF WINCHESTER, VIRGINIA
SCHEDULE OF REVENUES - BUDGET AND ACTUAL
GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNITS
For the Year Ended June 30, 2005

				Schedule 1 (Cont'd)
				Variance with
				Final Budget -
				Positive
				(Negative)
Fund, Major and Minor Revenue Source	Original	Final	Actual	
Component Unit - School Board:				
Special Revenue Funds:				
School Operating Fund:				
Revenue from Local Sources:				
Revenue from Use of Money and Property:				
Revenue from use of money	\$ 50,000	\$ 50,000	\$ 70,432	\$ 20,432
Revenue from use of property	90,000	96,591	103,821	7,230
Total Revenue from Use of Money and Property	140,000	146,591	174,253	27,662
Charges for Services:				
Charges for education:				
Tuition or other payments from another county or city	184,000	199,400	215,468	16,068
Miscellaneous	126,000	126,000	126,716	716
Recovered Costs	-	7,400	18,806	11,406
Total Revenue from Local Sources	450,000	479,391	535,243	55,852
Revenue from Local Government:				
Contribution from City of Winchester	22,143,200	22,742,058	22,742,058	-
Total Revenue from Local Government	22,143,200	22,742,058	22,742,058	-
Revenue from the Commonwealth:				
Categorical Aid:				
Share of state sales tax	2,908,320	2,908,320	2,927,269	18,949
Basic school aid	6,018,538	6,123,033	6,113,798	(9,235)
Lottery distribution	354,423	359,472	389,512	30,040
Regular foster care	152,806	177,749	40,163	(137,586)
Gifted and talented	63,206	64,106	64,110	4
Remedial education	264,806	294,465	294,476	11
Special education	811,954	823,521	823,572	51
Textbook payments	102,296	103,754	103,760	6
Vocational education	119,929	121,638	123,536	1,898
Hospital, clinics, detention homes	76,776	76,776	78,158	1,382
Social security	321,813	326,025	327,128	1,103
Teacher retirement	269,243	272,862	281,100	8,238
GED Funding	15,717	15,717	15,717	-
Early intervention	32,924	32,924	32,924	-
Regional programs	461,717	600,000	593,356	(6,644)
Special education - foster care	-	-	138,176	138,176
At risk	129,675	131,569	125,913	(5,656)
Student achievement grant	-	305	305	-
Primary class size	201,186	201,186	198,517	(2,669)
Local school construction	134,094	134,094	133,949	(145)
Algebra - SOL	21,693	21,693	20,583	(1,110)
Technology initiative	206,000	206,000	206,000	-
English as a second language	165,045	165,045	142,753	(22,292)
Other - Education	25,667	40,765	36,673	(4,092)
Total Revenue from the Commonwealth	12,857,828	13,201,019	13,211,448	10,429
Revenue from the Federal Government:				
Categorical Aid:				
Other - Education	-	728	812	84
Total Revenue from the Federal Government	-	728	812	84
Total School Operating Fund	\$ 35,451,028	\$ 36,423,196	\$ 36,489,561	\$ 66,365
School Cafeteria Fund:				
Revenue from Local Sources:				
Revenue from Use of Money and Property:				
Revenue from use of money	5,000	5,000	2,818	(2,182)
Charges for Services:				
Cafeteria sales	712,483	712,483	681,163	(31,320)
Miscellaneous	9,000	9,000	6,712	(2,288)
Total Revenue from Local Sources	726,483	726,483	690,693	(35,790)

cont'd

CITY OF WINCHESTER, VIRGINIA
SCHEDULE OF REVENUES - BUDGET AND ACTUAL
GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNITS
For the Year Ended June 30, 2005

Schedule 1 (Cont'd)

Fund, Major and Minor Revenue Source	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
Component Unit - School Board: (cont'd)				
Special Revenue Funds: (cont'd)				
School Cafeteria Fund: (cont'd)				
Revenue from the Commonwealth:				
Categorical Aid:				
School food program grant	\$ 20,652	\$ 20,652	\$ 21,128	\$ 476
Revenue from the Federal Government:				
Categorical Aid:				
School food program grant	575,000	575,000	676,966	101,966
Total School Cafeteria Fund	\$ 1,322,135	\$ 1,322,135	\$ 1,388,787	\$ 66,652
Federal Grants Fund:				
Revenue from the Federal Government:				
Categorical Aid:				
21st Century Grant	215,000	264,865	220,968	(43,897)
Title I	629,880	773,691	664,066	(109,625)
Title I Assistants	-	18,289	18,289	-
Title II Part B	181,194	209,194	191,398	(17,796)
Language Acquisition	35,909	59,756	44,476	(15,280)
Title VI	29,369	23,147	22,999	(148)
Drug Free Schools	25,019	39,425	23,520	(15,905)
Vocational education	68,027	70,305	66,030	(4,275)
Technology Literacy Challenge	19,688	19,543	16,780	(2,763)
Title VI Part B - Rural Education	-	3,668	3,667	(1)
Title VI-B - Special Education	662,935	853,954	753,390	(100,564)
Sliver grant	-	25,800	24,712	(1,088)
ESOL Grant	-	109,646	51,509	(58,137)
Other - Education	50,000	64,608	14,609	(49,999)
Total Federal Grants Fund	\$ 1,917,021	\$ 2,535,891	\$ 2,116,413	\$ (419,478)
School Textbook Fund:				
Revenue from Local Sources:				
Revenue from Use of Money and Property:				
Revenue from use of money	-	-	2,299	2,299
Miscellaneous	-	-	5,138	5,138
Total Revenue from Local Sources	-	-	7,437	7,437
Total School Textbook Fund	\$ -	\$ -	\$ 7,437	\$ 7,437
Total Special Revenue Funds	\$ 38,690,184	\$ 40,281,222	\$ 40,002,198	\$ (279,024)
Capital Projects Funds:				
School Capital Improvement Fund:				
Revenue from Local Sources:				
Revenue from Use of Money and Property:				
Revenue from use of money	8,000	8,000	19,066	11,066
Miscellaneous	-	-	4,230	4,230
Recovered Costs	-	-	48,396	48,396
Total Revenue from Local Sources	8,000	8,000	71,692	63,692
Total School Capital Improvement Fund	\$ 8,000	\$ 8,000	\$ 71,692	\$ 63,692
School Construction Fund:				
Revenue from Local Sources:				
Revenue from Use of Money and Property:				
Revenue from use of money	-	-	329,500	329,500
Total Revenue from Local Sources	-	-	329,500	329,500

cont'd

CITY OF WINCHESTER, VIRGINIA
SCHEDULE OF REVENUES - BUDGET AND ACTUAL
GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNITS
For the Year Ended June 30, 2005

Schedule 1 (Cont'd)

Fund, Major and Minor Revenue Source	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
Component Unit - School Board: (cont'd)				
Capital Projects Funds:				
School Construction Fund: (cont'd)				
Revenue from Local Government:				
Contribution from City of Winchester	-	18,547,000	18,546,986	(14)
Total Revenue from Local Government	-	18,547,000	18,546,986	(14)
Total School Construction Fund	-	18,547,000	18,876,486	329,486
Total Capital Projects Funds	\$ 8,000	\$ 18,555,000	\$ 18,948,178	\$ 393,178
Grand Total Revenues - Component Unit School Board	\$ 38,698,184	\$ 58,836,222	\$ 58,950,376	\$ 114,154
Component Unit - Parking Authority:				
Special Revenue Funds:				
Winchester Parking Authority:				
Revenue from Local Sources:				
Other Local Taxes:				
Share - City business license	12,500	12,500	12,500	-
Fines and Forfeitures:				
Parking fines	110,000	110,000	135,957	25,957
Revenue from Use of Money and Property:				
Revenue from use of money	6,000	6,000	8,487	2,487
Charges for Services:				
Parking fees	386,500	386,500	436,594	50,094
Miscellaneous	-	-	298	298
Total Revenue from Local Sources	515,000	515,000	593,836	78,836
Grand Total Revenues - Component Unit Parking Authority	\$ 515,000	\$ 515,000	\$ 593,836	\$ 78,836

CITY OF WINCHESTER, VIRGINIA
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNITS
For the Year Ended June 30, 2005

Fund, Function, Activity, and Elements	Budgeted Amounts		Actual	Schedule 2
	Original	Final		Variance with Final Budget - Positive (Negative)
Primary Government:				
General Fund:				
General Government Administration:				
Legislative:				
City Council	\$ 60,000	\$ 66,650	\$ 66,608	\$ 42
Clerk of Council	51,500	50,950	50,915	35
Total Legislative	111,500	117,600	117,523	77
General and Financial Administration:				
City Manager	212,100	216,500	216,484	16
Administration	436,600	552,750	552,687	63
City Attorney	208,500	172,000	171,810	190
Independent Auditor	41,000	41,000	39,062	1,938
Commissioner of Revenue	241,000	259,293	259,276	17
Assessor	146,600	147,197	145,131	2,066
Equalization Board	53,700	43,600	43,343	257
City Parking Program	67,000	67,000	62,382	4,618
Treasurer	371,700	374,650	374,610	40
Accounting	354,200	326,200	325,305	895
Data Processing	593,500	601,500	585,628	15,872
Personal Property/Tax Field Office	88,600	87,210	86,494	716
Other Adjustments	600,000	338,600	-	338,600
Risk Management	9,000	47,200	47,195	5
Total General and Financial Administration	3,423,500	3,274,700	2,909,407	365,293
Board of Elections:				
Electoral Board and Officials	29,800	34,900	34,861	39
Registrar	79,400	79,500	78,961	539
Total Board of Elections	109,200	114,400	113,822	578
Total General Government Administration	3,644,200	3,506,700	3,140,752	365,948
Judicial Administration:				
Courts:				
Circuit court	56,500	58,000	57,919	81
General District Court	19,500	18,000	17,058	942
Juvenile and Domestic Relations Court	12,600	12,600	11,915	685
Clerk of the Circuit Court	322,800	348,800	347,186	1,614
Jurors	24,000	24,000	12,982	11,018
Sheriff	434,900	498,400	498,229	171
Total Courts	870,300	959,800	945,289	14,511
Commonwealth Attorney:				
Commonwealth Attorney	547,500	568,000	567,725	275
Total Judicial Administration	1,417,800	1,527,800	1,513,014	14,786
Public Safety:				
Law Enforcement and Traffic Control:				
Police Department	4,589,700	4,468,700	4,269,317	199,383
Police Criminal Investigations	768,100	939,100	938,547	553
Total Law Enforcement and Traffic Control	5,357,800	5,407,800	5,207,864	199,936
Fire and Rescue Services:				
Fire Department	2,998,000	3,028,000	3,005,468	22,532
Lord Fairfax EMS Council	8,300	8,300	8,300	-
Emergency Medical Services	34,000	57,750	48,370	9,380
Total Fire and Rescue Services	3,040,300	3,094,050	3,062,138	31,912
Correction and Detention:				
Regional Correction Centers	2,213,500	2,674,500	2,213,460	461,040
Probation Office	3,000	3,000	937	2,063
Total Correction and Detention	2,216,500	2,677,500	2,214,397	463,103

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CITY OF WINCHESTER, VIRGINIA
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNITS
For the Year Ended June 30, 2005

Fund, Function, Activity, and Elements	Budgeted Amounts		Actual	Schedule 2 (Cont'd)
	Original	Final		Variance with Final Budget - Positive (Negative)
Primary Government: (cont'd)				
General Fund: (cont'd)				
Public Safety: (cont'd)				
Inspections:				
Building	\$ 453,600	\$ 507,100	\$ 506,885	\$ 215
Other Protection:				
Animal Control	191,400	251,400	249,956	1,444
Emergency Services	56,000	206,704	131,917	74,787
Hazardous Materials	51,000	51,000	33,877	17,123
Flood Control	40,500	113,500	78,595	34,905
Total Other Protection	338,900	622,604	494,345	128,259
Total Public Safety	11,407,100	12,309,054	11,485,629	823,425
Public Works:				
Maintenance of Highways, Streets, Bridges & Sidewalks:				
Highways, Streets, Bridges & Sidewalks	84,600	84,600	74,202	10,398
Storm Drainage	42,500	17,500	2,626	14,874
Street Lights	6,000	6,000	5,000	1,000
Total Maintenance of Highways, Streets, Bridges & Sidewalks	133,100	108,100	81,828	26,272
Sanitation and Waste Removal:				
Refuse Collection and Disposal	1,001,000	1,001,000	967,490	33,510
Maintenance of Buildings and Grounds:				
General Properties	432,300	462,300	348,674	113,626
Loudoun Mall	117,600	117,600	84,045	33,555
Joint Judicial Center	556,000	586,000	529,638	56,362
Public Safety Building	217,500	253,500	247,765	5,735
Total Maintenance of Buildings and Grounds	1,323,400	1,419,400	1,210,122	209,278
Total Public Works	2,457,500	2,528,500	2,259,440	269,060
Health and Welfare:				
Health:				
Our Health	26,000	25,000	25,000	-
Supplement to Local Health Department	199,700	199,700	199,700	-
Total Health	225,700	224,700	224,700	-
Mental Health and Mental Retardation:				
Chapter X Board	124,500	124,500	124,500	-
Welfare/Social Services:				
Area Agency on Aging	10,000	10,000	10,000	-
Property Tax Relief for the Elderly	480,000	480,000	181,175	298,825
Other Assistance	74,700	74,700	74,700	-
Comprehensive Services - Local Match	16,200	16,200	16,200	-
Total Welfare/Social Services	580,900	580,900	282,075	298,825
Total Health and Welfare	931,100	930,100	631,275	298,825
Education:				
Contribution to Community College	20,100	156,300	156,300	-
Contribution to City School Board	22,143,200	41,289,058	41,289,044	14
Total Education	22,163,300	41,445,358	41,445,344	14

cont'd

CITY OF WINCHESTER, VIRGINIA
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNITS
For the Year Ended June 30, 2005

Schedule 2 (Cont'd)

Fund, Function, Activity, and Elements	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
Primary Government: (cont'd)				
General Fund: (cont'd)				
Parks, Recreation and Cultural:				
Parks and Recreation:				
Administration	\$ 363,400	\$ 369,449	\$ 368,985	\$ 464
Maintenance	559,000	538,149	537,307	842
Outdoor Swimming Pool	76,800	111,638	111,599	39
War Memorial Building	329,900	319,569	318,724	845
Armory	16,500	30,015	28,853	1,162
After-School Child Care	208,600	215,409	215,354	55
Athletic programs	140,000	161,786	161,522	264
Total Parks and Recreation	1,694,200	1,746,015	1,742,344	3,671
Cultural Enrichment:				
Apple Blossom Festival	28,000	34,200	34,104	96
Discovery Museum	12,500	12,500	12,500	-
Virginia Commissions of Arts	10,000	10,000	10,000	-
Total Cultural Enrichment	50,500	56,700	56,604	96
Library:				
Contribution to Regional Library	326,700	326,700	326,700	-
Total Parks, Recreation, and Cultural	2,071,400	2,129,415	2,125,648	3,767
Community Development:				
Planning and Community Development:				
Planning and Zoning	263,700	271,200	271,060	140
Other Economic Development	330,300	1,071,300	1,063,651	7,649
Downtown Development	130,000	140,000	130,043	9,957
Contribution to Regional Airport	52,200	52,200	41,900	10,300
Total Planning and Community Development	776,200	1,534,700	1,506,654	28,046
Environmental Management:				
Environmental Quality	21,000	58,000	3,307	54,693
Total Community Development	797,200	1,592,700	1,509,961	82,739
Debt Service:				
Principal retirement	3,105,939	3,368,135	3,320,201	47,934
Interest and fiscal charges	1,711,861	1,836,611	1,699,823	136,788
Bond issuance costs	-	294,504	293,372	1,132
Advance refunding escrow	-	-	122,236	(122,236)
Total Debt Service	4,817,800	5,499,250	5,435,632	63,618
Total General Fund	\$ 49,707,400	\$ 71,468,877	\$ 69,546,695	\$ 1,922,182
Special Revenue Funds:				
Social Service Fund:				
Health and Welfare:				
Welfare/Social Services:				
Social Services Administration	1,789,300	1,865,900	1,865,548	352
Public Assistance	1,895,700	1,819,100	1,506,356	312,744
Total Social Service Fund	\$ 3,685,000	\$ 3,685,000	\$ 3,371,904	\$ 313,096
Comprehensive Services Fund:				
Health and Welfare:				
Community Services	2,324,000	2,324,000	2,195,217	128,783
Total Comprehensive Services Fund	\$ 2,324,000	\$ 2,324,000	\$ 2,195,217	\$ 128,783
Federal and State Grants Fund:				
Judicial Administration:				
Victim/Witness Grant	109,500	109,500	106,026	3,474
Domestic Violence	22,100	22,100	21,449	651
Total Judicial Administration	131,600	131,600	127,475	4,125

cont'd

CITY OF WINCHESTER, VIRGINIA
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNITS
For the Year Ended June 30, 2005

Fund, Function, Activity, and Elements	Budgeted Amounts		Actual	Schedule 2 (Cont'd)
	Original	Final		Variance with Final Budget - Positive (Negative)
Primary Government: (cont'd)				
Special Revenue Funds: (cont'd)				
Federal and State Grants Fund: (cont'd)				
Public Safety:				
Police Mini-Grants	\$ 18,233	\$ 28,906	\$ 28,826	\$ 80
Domestic Violence	51,312	54,812	54,748	64
COPS - More	68,606	61,706	37,272	24,434
Drug Task Force	-	71,428	67,396	4,032
Law Enforcement Block Grant	24,000	24,000	5,351	18,649
Hazardous Material	-	324,482	47,455	277,027
Total Public Safety	162,151	565,334	241,048	324,286
Health and Welfare:				
Workforce Investment	460,645	460,645	410,505	50,140
Total Health and Welfare	460,645	460,645	410,505	50,140
Community Development:				
Brownfield's	-	147,000	87,209	59,791
Total Federal and State Grants Fund	\$ 754,396	\$ 1,304,579	\$ 866,237	\$ 438,342
Community Development Block Grant Fund:				
Planning and Community Development:				
Redevelopment and Housing Assistance	303,000	1,123,500	487,971	635,529
Total Community Development Block Grant Fund	\$ 303,000	\$ 1,123,500	\$ 487,971	\$ 635,529
Small Cities/Housing Fund:				
Health and Welfare:				
Housing Assistance	70,000	70,000	69,999	1
Total Small Cities/Housing Fund	\$ 70,000	\$ 70,000	\$ 69,999	\$ 1
Highway Maintenance Fund:				
Public Works:				
Maintenance of Highways, Streets, Bridges & Sidewalks:				
General Engineering	231,700	240,840	235,536	5,304
Highways, Streets, Bridges & Sidewalks	986,800	906,800	774,232	132,568
Storm Drainage	50,500	50,500	46,060	4,440
Street Lights	225,000	232,200	232,179	21
Snow and Ice Removal	91,000	84,200	82,257	1,943
Traffic Signals	257,000	331,860	331,398	462
Tree Division	100,000	100,000	98,042	1,958
Total Highway Maintenance Fund	\$ 1,942,000	\$ 1,946,400	\$ 1,799,704	\$ 146,696
Emergency Communication Center Fund:				
Public Safety:				
Communication operations	723,500	715,500	639,378	76,122
Debt Service:				
Principal retirement	58,900	62,550	62,550	-
Interest and fiscal charges	37,600	37,735	31,494	6,241
Bond issuance costs	-	1,508	1,508	-
Advance refunding escrow	-	-	2,497	(2,497)
Total Debt Service	96,500	101,793	98,049	6,241
Total Emergency Communication Center Fund	\$ 820,000	\$ 817,293	\$ 737,427	\$ 82,363

cont'd

CITY OF WINCHESTER, VIRGINIA
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNITS
For the Year Ended June 30, 2005

Fund, Function, Activity, and Elements	Budgeted Amounts		Actual	Schedule 2 (Cont'd) Variance with Final Budget - Positive (Negative)
	Original	Final		
Primary Government: (cont'd)				
Special Revenue Funds: (cont'd)				
Winchester-Frederick County Convention Center and Visitors Bureau Fund:				
Community Development:				
Tourism	\$ 345,000	\$ 373,400	\$ 371,429	\$ 1,971
Total Winchester-Frederick County Convention Center and Visitors Bureau Fund	\$ 345,000	\$ 373,400	\$ 371,429	\$ 1,971
Law Library Fund:				
Judicial Administration:				
Judicial Center Law Library	30,000	30,000	21,328	8,672
Total Law Library Fund	\$ 30,000	\$ 30,000	\$ 21,328	\$ 8,672
Asset Forfeiture Fund:				
Public Safety:				
Police Department	-	108,800	102,781	6,019
Total Asset Forfeiture Fund	\$ -	\$ 108,800	\$ 102,781	\$ 6,019
Total Special Revenue Funds	\$ 10,273,396	\$ 11,782,972	\$ 10,023,997	\$ 1,761,472
Capital Projects Funds:				
Capital Improvements Fund:				
General Government Administration:				
Data Processing	-	75,000	-	75,000
Public Safety:				
Fire Department	350,000	50,000	36,378	13,622
Other Protection	-	350,000	-	350,000
Total Public Safety	350,000	400,000	36,378	363,622
Public Works:				
Streets	1,315,000	4,035,000	1,586,169	2,448,831
Total Public Works	1,315,000	4,035,000	1,586,169	2,448,831
Total Current Expenditures	1,665,000	4,510,000	1,622,547	2,887,453
Capital Projects:				
Parks and Recreation Improvements	-	282,840	276,334	6,506
General Property Renovations	185,000	585,000	417,031	167,969
Health and Welfare	3,000,000	3,000,000	-	3,000,000
Planning & Community Development	50,000	455,000	51,228	403,772
Total Capital Projects	3,235,000	4,322,840	744,593	3,578,247
Total Capital Improvements Fund	\$ 4,900,000	\$ 8,832,840	\$ 2,367,140	\$ 6,465,700
Total Capital Projects Funds	\$ 4,900,000	\$ 8,832,840	\$ 2,367,140	\$ 6,465,700
Debt Service Funds:				
School Bond Debt Service Fund:				
Debt Service:				
Principal retirement	\$ 121,750	\$ 128,550	\$ 128,548	\$ 2
Interest and fiscal charges	43,250	43,385	31,774	11,611
Bond issuance costs	-	2,810	2,806	4
Advance refunding escrow	-	-	4,645	(4,645)
Total School Bond Debt Service Fund	\$ 165,000	\$ 174,745	\$ 167,773	\$ 6,972
Total Debt Service Funds	\$ 165,000	\$ 174,745	\$ 167,773	\$ 6,972
Grand Total - Expenditures - All Governmental Funds	\$ 65,045,796	\$ 92,259,434	\$ 82,105,605	\$ 10,156,326

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CITY OF WINCHESTER, VIRGINIA
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNITS
For the Year Ended June 30, 2005

Fund, Function, Activity, and Elements	Budgeted Amounts		Actual	Schedule 2 (Cont'd)
	Original	Final		Variance with Final Budget - Positive (Negative)
Component Unit - School Board:				
Special Revenue Funds:				
School Operating Fund:				
Education:				
Instruction Costs	\$ 30,536,054	\$ 30,695,073	\$ 30,211,626	\$ 483,447
Administration of Schools	1,823,075	2,196,930	2,099,520	97,410
Operating Costs:				
Pupil Transportation	935,785	1,207,536	1,116,897	90,639
Operation and Maintenance of School Plant	1,823,114	1,808,107	1,786,459	21,648
Total Education	<u>35,118,028</u>	<u>35,907,646</u>	<u>35,214,502</u>	<u>693,144</u>
Debt Service:				
Principal retirement	178,000	10,550	-	10,550
Total Debt Service	<u>178,000</u>	<u>10,550</u>	<u>-</u>	<u>10,550</u>
Total School Operating Fund	<u>\$ 35,296,028</u>	<u>\$ 35,918,196</u>	<u>\$ 35,214,502</u>	<u>\$ 703,694</u>
School Cafeteria Fund:				
Education:				
School Food Services	1,339,753	1,339,753	1,312,878	26,875
Operation and Maintenance	<u>1,300</u>	<u>1,300</u>	<u>936</u>	<u>364</u>
Total School Cafeteria Fund	<u>\$ 1,341,053</u>	<u>\$ 1,341,053</u>	<u>\$ 1,313,814</u>	<u>\$ 27,239</u>
Federal Grants Fund:				
Education:				
Instruction Costs	1,895,426	2,535,891	2,116,413	419,478
Operating Costs:				
Pupil Transportation	<u>21,595</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Federal Grants Fund	<u>\$ 1,917,021</u>	<u>\$ 2,535,891</u>	<u>\$ 2,116,413</u>	<u>\$ 419,478</u>
School Textbook Fund:				
Education:				
Purchase of textbooks	<u>405,000</u>	<u>867,898</u>	<u>625,824</u>	<u>242,074</u>
Total School Textbook Fund	<u>\$ 405,000</u>	<u>\$ 867,898</u>	<u>\$ 625,824</u>	<u>\$ 242,074</u>
Total Special Revenue Funds	<u>\$ 38,959,102</u>	<u>\$ 40,663,038</u>	<u>\$ 39,270,553</u>	<u>\$ 1,392,485</u>
Capital Projects Funds:				
School Capital Improvement Fund:				
Education:				
Operations and Maintenance	<u>230,643</u>	<u>1,223,349</u>	<u>662,843</u>	<u>560,506</u>
Capital projects:				
Daniel Morgan Middle School	-	294,578	155,516	139,062
John Handley High School	-	294,579	130,781	163,798
Total Capital Projects	<u>\$ -</u>	<u>\$ 589,157</u>	<u>\$ 286,297</u>	<u>\$ 302,860</u>
Total School Capital Improvement Fund	<u>\$ 230,643</u>	<u>\$ 1,812,506</u>	<u>\$ 949,140</u>	<u>\$ 863,366</u>
School Construction Fund:				
Capital projects:				
Daniel Morgan Middle School	-	16,185,663	16,411,980	(226,317)
John Handley High School	-	4,987,642	2,903,157	2,084,485
Total School Construction Fund	<u>\$ -</u>	<u>\$ 21,173,305</u>	<u>\$ 19,315,137</u>	<u>\$ 1,858,168</u>
Total Capital Projects Funds	<u>\$ 230,643</u>	<u>\$ 22,985,811</u>	<u>\$ 20,264,277</u>	<u>\$ 2,721,534</u>
Grand Total - Expenditures - Component Unit School Board	<u>\$ 39,189,745</u>	<u>\$ 63,648,849</u>	<u>\$ 59,534,830</u>	<u>\$ 4,114,019</u>

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CITY OF WINCHESTER, VIRGINIA
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNITS
For the Year Ended June 30, 2005

Fund, Function, Activity, and Elements	Schedule 2 (Cont'd)		
	Budgeted Amounts		Variance with
	Original	Final	Final Budget - Positive (Negative)
Component Unit - Parking Authority:			
Special Revenue Funds:			
Winchester Parking Authority:			
Public Works:			
Administration	\$ 397,700	\$ 383,000	\$ 372,056 \$ 10,944
Off Street Lots	13,500	13,500	10,841 2,659
Braddock Street Autopark	25,700	42,200	42,120 80
Court Square Autopark	18,800	80,150	80,058 92
Loudoun Autopark	22,100	75,900	75,836 64
Parking Enforcement	37,200	34,500	32,977 1,523
Grand Total - Expenditures -			
Component Unit Parking Authority	\$ 515,000	\$ 629,250	\$ 613,888 \$ 15,362

**CITY OF WINCHESTER, VIRGINIA
COMPUTATION OF LEGAL DEBT MARGIN
JUNE 30, 2005**

Schedule 3

Total Assessed Value of Real Estate (Note 1)		<u>\$ 2,446,498,414</u>
Legal Debt Limit - 10% of Total Assessed Value of Real Estate		<u>\$ 244,649,841</u>
Amount of Debt Applicable to Debt Limit	\$ 77,144,348	
Less:		
Amount available for repayment of general obligation bonds	<u>(482,877)</u>	
Total debt applicable to limitation		<u>76,661,471</u>
Legal Debt Margin		<u>\$ 167,988,370</u>

Note 1 - Includes Public Service Assessment of \$52,812,984.